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BURNOUT



Contents

THIS ISSUE

2	Burnout	Causes, symptoms, how to cope.
6	Secret Service Stress	Handling an occupational hazard.
9	Back to Basics	A forward-looking management perspective.
12	Employee Institutions	A fact of life, acknowledged.
14	RIF Procedures	How did we get here from there?
17	Cutback Management	A check list for federal managers.

EVERY ISSUE

20	First Person, Singular	Ten stages of a RIF.
22	Worth Repeating	Why your boss makes you feel stupid.
24	Nitty Gritty	Employing experts and consultants.
26	Political Activities	To do or not to do...
27	Managers Reading Digest	Personnel and general management reading.
29	In Brief	Current legal decisions.
31	After/words	Letters and comments.

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Interested? If you haven't spun your wheels long enough, you wouldn't be eligible. But if you're a likely prospect, denying your qualifications may well make you a prime candidate.

Recognizing Burnout and Its Causes

To become burned out is to become increasingly burdened to a point beyond one's tolerance. Too much work, too little satisfaction, too many expectations, too little positive feedback, pressures left undefused, and a sense of inertia are some of the symptoms of burnout. "It's like living in purgatory," said one government manager, "and knowing that hell is just around the corner. It's a feeling of quiet desperation, of being on an anxiety treadmill."

Burnout is not synonymous with stress. Stress can be positive and does not necessarily have a detrimental effect on productivity. Burnout does. Stress may be contained within one area of a person's life. Burnout is not as selective and can affect all areas of a person's life, especially work. Burnout comes from too much stress, a case of overloaded circuits. While a stress victim can redirect his energy, the burnout has little energy or sense of direction and sees no "out" or solution to the pressure, frustration and disillusionment he is experiencing.

Originally, burnout was thought to be a side-effect suffered by those in the helping professions, such as doctors, teachers, nurses and social workers. Only recently has it been recognized as a consequence in any field, from switchboard operation to management. It's not so much that there is an upswing in burnout as there is an awareness that "That sounds like what is happening to me."

Dr. Herbert J. Freudenberger, in *Burnout: The Cost of High Achievement*, describes the burnout victim as "someone in a state of fatigue or frustration brought about by devotion to a cause, way of life or relationship that failed to produce the expected reward." An-

other definition is provided by Robert L. Veninga and Joseph P. Spradley, authors of *The Work Stress Connection: How to Cope with Job Burnout*: "Burnout is a debilitating psychological condition brought about by unrelieved work stress."

Recognizing burnout is not as simple as it first may seem—whether it involves one's self or others. More often than not, the people least expected to be susceptible to burnout—the super achievers, the high aimers, the hardest workers—are the very people who experience it the most. And it becomes a doubly damning experience for them because they are the very people who are most expected to be able to combat it. They are, after all, the people ingrained with the old clichés: "If at first you don't succeed," "Hard work carries BIG rewards," and "When the going gets tough, the tough get going." It's no wonder that when the axioms no longer apply, burnout victims feel much like a car tire in an icy pothole: They keep revving and rocking to get out, to no avail; they are stuck.

A by-product of the I-know-I-can-pull-myself-out-of-this syndrome is a sense of isolation. In our society, people don't want to admit they can't meet their own or others' expectations, that they "can't hack it." But what the burnout victim often fails to realize is that the expectations may be unrealistic. Not understanding that revised goals are acceptable, the potential burnout puts double effort into fighting the symptoms—or ignores them.

Workers who are cranky, critical, extremely sensitive, smoking and drinking more, sleeping less, calling in "sick" more often, or sitting and staring at the wall may be *burning out*. Symptoms can include a general "Blah" feeling; a lack of energy, interest or enthusiasm for anything; headaches; backaches and other physical signs of weariness. A sense of pessimism prevails. Decreasing efficiency and an apathetic attitude are also common. The burnout victim at first glance seems to be func-

tioning, though not at top efficiency. At second glance, changes of increasing variety and frequency can be noted. The employee known for an even disposition becomes riled or withdraws over something that would not otherwise have fazed him. An employee with a reputation for accuracy increasingly makes mistakes. A manager whose style signaled a belief in open communication among staff becomes dictatorial and inaccessible.

Physical symptoms are a clear sign that something is amiss and should not be ignored. One agency manager was experiencing physical ailments for which doctors could find no organic cause. "My body kept sending me signals," he said, "but I was too tired even to listen. My 'I could care less' attitude was surpassed only by my rising blood pressure and lack of sleep. Only after I realized how my family and staff were being affected," he recalls, "did I stop to examine what was happening. I didn't want to be the next heart attack victim in town."

Unchecked symptoms can develop into disastrous results. In a study conducted at the National Aeronautics and Space Administration, managers, when compared to scientists and engineers, were found to have the most work stress and had "a significantly higher incidence of coronary heart disease." Researchers John French and Robert Kaplan, in *The Failure of Success*, cite findings to indicate managers experience higher work stress due to quantitative work overload, major responsibility for other people, differing organizational territories, and role ambiguity and conflict. (Scientists and engineers experienced more qualitative work overload in general.) The study demonstrated the researchers' hypothesis that stress can produce physiological strain. Their findings from several studies show that "various forms of workload produce at least nine different kinds of psychological and physiological strain in the individual" of which almost half are risk factors in heart

disease.

Burnout is not limited to individuals. Staff burnout can occur in certain situations. For example, staff assigned to do a major project on a tight deadline with little direction or commitment from top management will demonstrate burnout symptoms. Burnout victims exhibit a low capacity for stress, low tolerance for ambiguity and possible increases in intra-personal conflicts. Burnout in the work environment can be characterized by increasing authority conflicts, disrupted staff interactions, tardiness, high turnover, isolated power groups, etc.

Factors outside the work environment can also contribute to burnout. For example, critical public attitude toward a specific program, political or economic upheaval, the threat of layoffs, sexual harassment, and racism can all significantly affect an employee's potential for increased stress and burnout. Organizational factors, such as unsatisfactory physical work conditions, lack of control over one's tasks, lack of opportunity for advancement, promotion denials, arbitrary changes in the work environment and other related factors can cause stress overload, leading to burnout.

While causes for burnout are numerous, the underlying theme of unfulfilled expectations is common. Take, for example:

- The manager who aspires to be topnotch but has inadequate resources to do her job and is unable to take personnel actions which should be her prerogative.
- The employee who has worked hard to develop expertise in his field only to find out that his job or field are no longer considered vital to the organization.
- The manager who is no longer able to make any decisions due to pressure from all directions. To appease or please has become a rut.
- The employee who has done outstanding work in the past. Now she has vowed to do the "the minimum necessary" to keep the job because she has never been rewarded and does not feel appreciated for the extra efforts previously demonstrated.

- The manager who struggles desperately to be motivating and fair, yet morale remains low, absenteeism high and turnover increasing. He exerts himself still further only to discover he is fast becoming overburdened and angry with himself for allowing it to happen.

American society is imbued with the Puritan work ethic and Horatio Alger stories of success. Newspapers and magazines are chock full of the "perfect" lives of the rich and successful. "I always believed hard work and the struggle to become excellent at what I do would have a payoff," says a manager formerly in charge of a multi-million dollar program, "but instead, I'm now in a position where my program has been scrapped, the people I'm working with are totally demoralized, and I've got to decide what to do after fifteen years as a manager because I'm affected by reduction in force exercises. It's pitiful."

Says another: "I had expected top management to be the pinnacle of my career. It's really more of the same—only in triplicate."

Coping with Burnout

As a first step to coping with burnout, avoid the trap of many victims who place full blame on themselves or others for feeling the way they do. They push harder and harder in the same direction, only digging themselves in deeper. Instead, make every attempt to take an objective view of what is happening to you and channel your energy into understanding, re-evaluating and determining your best actions.

Understanding

Identify the problems you are having. The ability to pinpoint what is causing you to burn out will help save you the time wasting process of denial or the fruitless search for instant miracles. Don't neglect what your body is telling you by ignoring the symptoms and repeating previous mistakes. Pinpoint, so you'll know what you're up against and how to combat it. You are your own best judge—use your insight to analyze and monitor yourself.

Are you your own worst enemy?

People who are consistently hard on themselves—always striving and driving to do more and be more—are often unable to accept themselves. Understanding why what seemed interesting and challenging in the past is now a burden is a key step to re-evaluation and change.

Family attitudes and expectations sometimes create the kind of overachieving, hardcharging person who is a prime candidate for burnout. Veninga and Spradley suggest an exercise which can be valuable in helping you understand or reconstruct those attitudes that burdened or influenced you. Take out the family photo album and examine old pictures. Observe closely the circumstances in which they were shot, who is in the pictures, who is usually missing, smiles or lack of them, how you look in the pictures, etc. Think about how you have changed through the years and whether all of those changes are welcome, self-imposed, or result from someone else's expectations.

How have you adapted your attitudes to the work world? Do those attitudes result in burnout? Which pressures can you change and which factors are external or environmental? Once you have identified the problems, you can begin analyzing your values and priorities, and can begin the process of change.

Suggestions for Change

Once you have identified the problems and understand the factors contributing to your burnout, consider your options for change and follow through on those with which you would feel most comfortable. The following suggestions may help.

- Defuse the problems: Learn to say no. If work keeps piling up on you and you've reached your limit, say so. Make your limits known and stick to them. If deadlines are unreasonable, state why. You are not making excuses, you are establishing bounds.
- Set realistic goals. Consistently accepting impossible workloads or deadlines may demonstrate tenacity on your part, but at your expense. Setting realistic goals requires a

knowledge of your own capabilities. Setting goals too high guarantees your potential for burning out because you'll either reach them without any energy reserves or you won't reach them at all, and will feel like a failure.

- Cut the deadwood out of your life. Pretend you have a limited amount of time to live. What activities, relationships and behaviors would you eliminate to make the most of your time? Forget the oughts, shoulds, have-to's and guilt; cut out anything that drains your time and energy or is no longer enjoyable.
- Use your leisure time to provide balance. In your free time, do the opposite type of activity that you do at work. If you work alone at your desk all day, take up an interest involving people or the arts. If your job involves dealing with people for hours on end, choose an activity requiring some solitude.
- Exercise. Take a walk, go for a swim, play volleyball, anything that gets you moving. Make time for it. Physical activity will help release tension and stress and make you more able to handle burnout symptoms. Numerous studies have demonstrated that exercise significantly increases a person's capacity for work and ability to deal with pressure, stress and frustration. Proper nutrition and sufficient sleep will also help replenish your body's resources.
- Learn breathing and relaxation techniques.
- Keep a sense of humor. Maintain a healthy perspective of the lighter side of life; don't take everything so seriously. Extreme sarcasm projects a bitterness best avoided.
- Indulge yourself. Do special things for yourself that you would do for friends and relatives if they needed it.
- Plan specific measures for how your job stress can be reduced. Complaining without determining alternatives is fruitless. Think of reasonable ways to combat time pressures, boredom, work overloads, and other stress that is aggravating your burnout symptoms. Think of your typical day and what changes can be made to improve it.
- Consider changing careers. If, af-

ter analyzing your situation, you see no steps to be taken or solutions to be made, think about switching careers. More and more, people who are fed up with their jobs, laid-off, or fired, are demonstrating a positive attitude in reevaluating their priorities and goals in determining new lifestyles and careers.

Assisting Burnout Victims

How do you give help to someone going through burnout? You don't, according to Veninga and Spradley; giving help undermines the burnout victim's self-confidence. Instead, they suggest, develop a "helping relationship" involving listening, respect and a trust in the person's capacity to use his own resources to solve his problems.

Listen with undivided attention. Show you are really interested in what he has to say—this will help him overcome the feeling that "no one understands." Ask questions to draw the person out, but avoid giving advice. Someone experiencing burnout needs to be responsible for making his own decisions; he may blame you if your advice doesn't work for him.

Consider available resources. Giving the person a book on stress or burnout, a memo on an employee assistance program or a pamphlet on a community support agency—especially one you may have already used and found helpful—is a way of demonstrating support. It lets him know what's available but doesn't intrude on him. He can then choose to follow up on any of them.

There are various actions you can take to keep an employee from becoming burned out. Rotate people with exhausting tasks so they don't wear themselves out. Don't always ask the same person to handle crises. Give positive feedback to employees to demonstrate their value to the organization. Make sure the workloads and deadlines you assign are reasonable. Provide training to keep employees up to date in the state-of-the-art in their field. Be flexible about requests for annual leave or for desk transfers within an office; there's usually a legitimate reason. Read between the lines if an employee seems to be un-

dergoing extreme mood shifts or suffering from physical ailments like those described in the previous pages.

It is your responsibility as a manager to question an employee whose actions are affecting his productivity at work. It is not your responsibility, however, to act as the employee's counselor. Such action on your part may be interpreted as interference. Discuss what problems the employee has that may fall under your ability to change, such as altering unreasonable deadlines. Problems that are not work related are not within your authority. Under such circumstances you may want to suggest other helping alternatives to the employee, but do so lightly. Avoid increasing pressure on an already pressured person. Tact is the key. Don't threaten an employee with statements or behavior that say "shape up or ship out."

In the extreme, burnout can lead to disaster. (People with no stress, it is said, rust out. People who burn out may snuff out.) If not prevented, it can be a very costly and painful way to reevaluate goals and life priorities.

Luckily, burnout can be prevented. When their symptoms are noticed before they become dangerous or disabling, most victims can, like the legendary phoenix, rise from the ashes and start anew.

The Bottom Line

If the cost of burnout were documented, the amounts would be staggering. Formerly productive workers become clockwatchers, use sick leave until it runs out and develop inefficient practices on the job. Employees with depleted resources soon waste the organization's resources through absenteeism, low productivity, high turnover, etc. (A study by the University of Louisville estimates general absenteeism alone costs employers up to \$20 million dollars annually.) Aren't the end results of burnout worth doing something to combat it?

Annette Gaul is a writer/editor in the Office of Public Affairs, OPM

How the Secret Service Handles STRESS

Stress: you can't see it or touch it— but all of us have felt its effects at one time or another. We are all familiar with the pounding heart, the tense muscles, the cold hands and feet that signal the body has gone into emergency overdrive, ready for “fight or flight.”

Under certain circumstances, stress can actually be enjoyable. If it weren't, most carnival rides would go out of business overnight. In its positive incarnations, stress often goes by other names: “excitement,” “stimulation,” or “challenge.” Many jobs by nature are stressful, and individuals are often attracted to these jobs by the very stress—or “challenges”—they involve.

Those who enjoy high-stress employment are often unaware of the toll prolonged, unrelieved stress may be taking on their minds and bodies. And the more stressful an occupation is, the less leeway it may allow for the diminished performance that poorly managed stress can cause.

Realizing this, the United States Secret Service has been

studying the effects of stress on its employees since the early 70s. The result has been a many-face-



ted stress management program, highly praised in the academic community and used as a model by other law enforcement agencies.

Secret Service employees are no strangers to stress. In the middle of a political campaign, for example, when candidate protection strains Service resources to the ut-

most, a Special Agent may be working 12- to 16-hour days (or nights, since protectees must be guarded around the clock). Agents may work as many as 21 days before getting any time off. Travel schedules may call for six or more cities in a single day—and weeks, even months, on the road.

While protecting a President, a candidate, or other dignitary, agents must maintain themselves in a state of “hyperalertness”—ready, hour after hour, day after day, to respond instantly to an attack that, if all goes well, never comes. No matter what their exact responsibility, all Secret Service agents and non-agent personnel live with the premise that there is no margin for error in their work. There are no acceptable excuses.

Mindful of the possibilities of "burnout" present in such a situation, Secret Service managers try to see that agents generally spend no more than three or four years in full-time protective assignments before being rotated to a field office. There, agents function primarily as criminal investigators, apprehending counterfeiters and forgers of Government checks. Stress of a different type comes with this job—arresting armed criminals, working undercover, associating with society's lowest elements. In addition, the Service uses its field office agents as a pool on which to draw for temporary protective assignments.

Secret Service management carefully monitors stress factors on agent personnel, trying to alleviate pressures where possible. Agents are no longer assigned two-to-a-room when traveling. Overtime hours and days off are regulated as strictly as circumstances allow. Transfers, whenever possible, are made by mutual consent. Career tracts are defined and individuals kept informed exactly where they stand for promotion.

But it is recognized by all concerned that, beyond a certain point, little or nothing can be done about the stresses inherent in the agency's mission. Therefore the Service has initiated a comprehensive stress management program to attack the problem from every possible angle. One part of the program teaches employees how to deal with stress, whether job related or not, on an everyday basis; another assists employees confronted by personal crisis which are a result of, or add to, their stress load. The physical condition of all agents is monitored for early warning signs of stress-induced disease, and high-level managers and supervisors are counselled on physical or psychological management problems.

A major part of the Secret Service stress management program is the Office of Training's Stress Management Seminar, a nine-hour course module incorporated in most

in-service training courses. The Seminar's goal is to help each employee recognize what constitutes stress and devise individual techniques for coping.

Employees are taught that stress, itself, is not necessarily bad. A healthy "stress profile" shows stress peaks of fairly short duration interspersed with valleys of relaxation, much like the "stress and rest" technique used by athletes in training. Because most Secret Service jobs contain so many peaks of stress, employees are taught they must take extra care to provide themselves with valleys of relaxation when and where they can. Since there are very few opportunities on the job, the key is often off-duty behavior modification.

Seminar instructors teach that one of the most valuable methods of helping the body deal with stress is physical fitness. Studies have shown that when the body is in good physical condition, it is not as subject to the jarring and often damaging chemical changes commonly induced by stress—and after the emergency is over, it returns much more quickly to a relaxed state.

Physical fitness has always been an important part of Secret Service agents' qualifications, but the Stress Management Seminar shows them the positive benefits of not only meeting, but surpassing, the agency's minimum standards in that area. And non-agent personnel are encouraged to establish their own physical fitness regimen.

Students learn that much of the negative stress they undergo is self-induced. As a course instructor puts it, "We talk about perceptions a great deal. Often things that we perceive as negative and stressful are, by and large, neutral stimuli. We talk about trying to tone down the meaning of things in the environment so that we don't react to them so strongly."

If minor elements continue to cause major stress, an individual is taught to consider ways of eliminating or avoiding the stress-

producing circumstance entirely. If listening to music while sitting in rush-hour traffic doesn't calm feelings of frustration and tension, employees are advised to get up half an hour earlier and avoid the traffic entirely.

Recognizing that simple avoidance is not sufficient to get through all the stresses of modern life, students are introduced to a smorgasbord of tension-relieving techniques and pursuits, ranging from hobbies and community activities to meditation and religion. Working with biofeedback machines, students prove to themselves that they really can control their own physical reactions to stress. There are no "school solutions"; each individual is encouraged to find and apply the techniques that work for him or her.

Seminar students are told, "We can't change the rules of the game for you. You're still going to have to cope with the responsibilities of your job. And the rest of it—traffic, bills, taxes—will be there, too. Everybody has to play the game. But we can show you some tricks of the trade to play the game without getting overburdened."

Sometimes, despite best efforts, an employee does get overburdened. When that happens, the Secret Service Employee Assistance Program steps in to help. An outgrowth of the alcohol and drug abuse program mandated by law for all government agencies, the Service's Program is an active full-time operation designed to help employees and their families with the full range of life crisis situations.

Perhaps surprisingly, considering the pressures on them, Secret Service employees have rates of alcoholism and marital failure well below the national average. But when these or other serious problems do occur, assistance program counselors are on call 24 hours a day.

Seventy percent of the Program's cases are referred by supervisors, sometimes in lieu of disciplinary action. Often the precise nature of the problem is unclear at the outset, al-

though symptoms—diminished work performance, absenteeism, or problem drinking—may be all too evident.

Working with the individual, the counselor analyzes the situation. An employee may be drinking too much: Is he really an alcoholic or is the drinking due to a marital problem or an emotional breakdown? If alcoholism is the problem, is the case suitable for outpatient or inpatient treatment? Is the employee fit for duty or should he be placed on leave? After weighing all factors, the counselor refers the employee to the proper psychological or medical facility for counseling or treatment.

Confidentiality is the cornerstone of the program. The only exceptions to this rule are cases that involve a threat to human life or to the mission of the Secret Service. When these issues are involved, employees are told immediately that confidentiality can no longer be maintained. In all other cases, no disclosure is made to anyone without the individual's express permission—even to the supervisor who may have made the referral in the first place. (Efforts are often made, however, to convince an employee that a supervisor might be more understanding if told about the problem.)

Families are also included in Employee Assistance Program services. Spouses and children of distressed employees often have their own problems, which are either caused by, or contribute to, the situation. By the same token, family members' severe problems can add immeasurably to the stress level of employees who themselves are functioning well.

Counselors sometimes get calls such as, "My wife has undergone a drastic change. Suddenly she isn't eating, she isn't sleeping. I'm really worried about her. Can you convince her to go for counseling?" Or, "My teenager is so depressed he's suicidal. I don't know what to do. I don't know where to go for help."

No Secret Service employee or

family member is ever referred to a health care facility that has not been thoroughly checked and evaluated by the Program staff. Usually this evaluation includes a personal visit, an interview with the director and a thorough review of the treatment program and follow-up system. Regardless of the facility's own follow-up policy, the Assistance Program counselor assigned to the case routinely stays in contact with the employee for a year or more to see that everything is going well.

Besides checking on treatment facilities throughout the country, EAP counselors travel to field offices to give seminars. Sometimes these are designed merely to spread the word about the Employee Assistance Program and its availability. Often discussion groups zero in on specific problem areas, helping employees spot danger signals in themselves that should send them to the program for help.

Discussion groups often divide individuals by job type, sometimes by sex and age, so that members will have common problems to discuss. Counselors say they perceive a definite difference in the agents' approach to stress: They tend toward an "I can deal with anything" attitude that makes it much more difficult for them to recognize stress and seek help.

Partly because of this, a growing network of peer counselors is assuming increasing importance in the Employee Assistance Program. Trained in counseling techniques, these individuals are "graduates" of the Program who volunteer to sacrifice some of their time—and their anonymity—in order to repay some of the help the Program has given them. As one member of the staff puts it, "An agent may call me, refuse to give his name, and say he is worried about a particular problem or situation. I can say 'Why don't you call Special Agent So-and-So? He's been down that road and he can tell you about it.' Rather than accept help from me, an outsider, he can talk to someone he feels will

really understand."

Both the Stress Management Seminars and the Employee Assistance Program are designed to help employees identify and cope with stress as individuals. Two other elements of the Service's stress management program help the organization as a whole cope with the stress of its personnel.

All Special Agent annual physicals, no matter where they are performed, are forwarded to the Institute of Human Performance in Fairfax, Virginia, for evaluation. The Institute spots incipient health problems which stress could exacerbate.

The Secret Service also has a new agreement with the National Institute of Mental Health in Rockville, Maryland. Five psychiatrists on the Institute's staff have received complete background investigations and top secret security clearances. Those doctors maintain open communication with high level Secret Service Staff, including the Director, Deputy Director, and Assistant Directors. Focus is on management decisions that might have psychological repercussions for employees. Line managers, such as protective detail leaders and field office Special Agents in Charge, may also seek advice on their psychology-related management problems. Their supervising Assistant Directors can put them in direct contact with NIMH psychiatrists for that purpose.

Not much can be done to change the basic "rules of the game" for Secret Service employees: The pace can be frantic; the responsibilities are staggering; and the margin for error is usually nil. Moreover, most of them enjoy the challenges of their difficult line of work. The Secret Service's strong stress management program doesn't change the rules. But it helps employees play the game—win—and come up smiling.

A career Special Agent, Robert R. Snow is currently Assistant to the Director for Public Affairs, United States Secret Service.

BACK TO **BASICS** AND LOOKING FORWARD:

A PERSONNEL MANAGEMENT PERSPECTIVE

By Efstathia A. Siegel

The country pretty well knows by now the new directions the Reagan Administration is taking when it comes to major policy matters: national defense, the federal budget, government's role and influence in the lives of private citizens.

Perhaps less obvious, even after a year and a half, are the changes occurring in federal personnel management. Since the Reagan Administration has taken over, a few highly publicized events have focused public attention on certain topical issues: federal layoffs or reductions in force (RIFs), rules dealing with striking air traffic controllers, federal workers' contributions to charities.

Some of these issues, like resolving inequities in the federal retirement system, require long-term study, policy changes on the federal level, and legislative action. Others can be remedied quickly and fade from public view once the immediate event has passed.

"Back To Basics"

Whatever the issue or event, however, a "back to basics" philosophy and approach have guided the Administration's personnel policies. From the beginning, Office of Personnel Management Director Donald J. Devine has said that OPM's basic goal and mission would be carrying out and enforcing civil service rules. Agency resources would be redirected to carrying out fundamental personnel functions. Agency money would be saved by eliminating many of the "frills" which have little to do with basic personnel functions.

Underlying all agency activity is

a commitment to ensuring that personnel laws are upheld and that effective oversight of agency personnel actions is maintained. As part of the Administration's goal to reduce government spending, OPM saved money in many areas in 1981 by eliminating programs and services considered unnecessary. However, funding for evaluation and compliance activities was increased by \$.7 million in 1981 in order to carry out an aggressive oversight program.

One of the most fundamental OPM functions is administering the federal workers' health and retirement trust funds, with assets totaling \$91 billion. A study of trust fund management showed that for many years OPM's techniques and procedures for estimating, budgeting and tracking trust fund expenditures were largely undocumented, uncoordinated internally and inconsistent. Each year OPM would submit financial projections to the Congress to fund the health and retirement trusts. These projections were based on incomplete and unintegrated fiduciary and financial data. As a result, too frequently, additional appropriations were needed simply to cover the government's health insurance benefits commitments for the year.

What had been happening was that benefits were being increased without much consideration for costs; reserve funds were being used to keep employee-paid premiums artificially low; and costs to the government and to employees and annuitants, keeping in line with escalating health care costs nationwide, were skyrocketing. By 1982, because of inaccurate fi-

nancial projections based on underestimations of both health benefits costs and the employee and annuitant populations, \$440 million in supplemental appropriations would have been needed to cover government contributions for the health benefits originally proposed by the carriers.

FEHB Controls

Devine set out to establish both short and long term strategies to deal with the problem. Over the short term, health insurance carriers were told in the autumn of 1981 that benefit cuts would be required in order to reduce premium costs for both the government and employees and annuitants. The reductions resulted in savings of more than \$320 million in FY 1982, and employees were spared the 61 percent increase in their share of premiums which would have been necessary without the cuts.

This effort was challenged in the courts by a number of the carriers in the FEHB program, principally those sponsored by public employee unions. OPM fought throughout late 1981 and early 1982 to establish its authority to impose benefit reductions and control program costs, finally winning all of the significant cases in the U.S. Court of Appeals.

Devine hoped, however, to take steps which would prevent recurrence of a similar crisis in the years to come. Administrative changes, including a revamping of the actuarial and budgetary processes in the health benefits trust fund, are being pursued. And work has begun on proposals which would go beyond administrative fine-tuning.

For a long-term solution, OPM is developing legislation needed to reform the FEHB program. Proposed legislation, which could be introduced in 1984, would effect dramatic changes in the health insurance program. Rather than simply modify the existing program, proposed changes allow employees a wide range of options and selections, thereby reducing government paternalism, encouraging employee choices, fostering competition in the health care industry, and reducing the costs of health care for all taxpayers.

Retirement Reforms

Reforming the federal retirement system posed its own special problems, with many solutions having to come from outside of OPM. The Administration believes that excessive amounts in benefits (\$14.7 billion yearly) are being paid out, causing a financial strain on all citizens.

In an attempt to limit the accelerating growth of federal income security programs, the Administration has been studying the broad area of entitlements. OPM investigated the entire government retirement system—from its own internal management perspective, as well as from a long-range legislative perspective.

For years OPM had been criticized for the number of outstanding retirement claims and for the length of time it took to process them. Devine inherited a backlog of some 100,000 cases. He promised to make reducing this backlog his first priority. Currently, the backlog has been cut to less than 40,000 and the average processing time has been reduced from nearly 120 days to around 35.

In cleaning up the retirement backlog, OPM also has been able to better police the retirement rolls to protect the fund against abuses, and, for the first time, to take a long, hard look at granting early retirements.

Devine has taken a firm stance against granting blanket early retirements because of their cost and because of their relationship to "pay compression" (the narrow-

ing of pay differentials between job levels) in the Senior Executive Service. Since executive pay raises have not kept up with yearly General Schedule raises, pay compression for senior executives has become so severe that it has seriously restricted the use of salary as an incentive for better management. Some 40 percent of male civil service workers retire between ages 55 and 59, compared with only 6 percent in the private sector. To reduce the high rate of early retirements, which is causing the government to lose many of its ablest executives, OPM has tightened its policy and has pushed for raises for the SES. In the winter of 1981, with Devine's backing, the "pay cap" was raised to \$58,500 for this group.

OPM also conducted a comprehensive study of its own management of the retirement system. OPM's Compensation and Budget and Management divisions were restructured to establish centralized accounting and a tight control on trust fund expenditures. Budget and financial considerations will be part of all actuarial decisions and detailed and compete data on all aspects of trust fund projections and expenditures will be kept.

In April OPM submitted a bill to reform the federal retirement system. Major provisions of this legislation are intended to curb the generous adjustments of civil service annuities. The annuities are required by current law to be adjusted by the full amount of any increase in the Consumer Price Index (CPI), while pay raises for federal workers are not. As a result, new retirees are finding their annuities much lower than the annuities of those who retired several years ago, even when their service history is identical.

The proposed legislation would limit the civil service retirement cost-of-living adjustments (COLA's) to whichever is less, the increase in the CPI or the increase in General Schedule pay. To correct the cumulative effect of generous adjustments granted to a significant number of annuitants

in the past, the legislation would hold down COLA's to these annuitants in the future. OPM estimates that the COLA provisions of the bill alone would save the government \$5.875 billion from 1983-87.

Other provisions of the bill would allow for better administrative control over the program and the elimination of costly inconsistencies that have developed over the years. Specific amendments would improve the operation of the disability retirement program, the collection of money due the retirement fund, the procedures for determining and paying lump sum death benefits and survivor annuities, and the procedures governing deposits, refunds and redeposits.

OPM rounded out its overhaul of its actuarial responsibilities by implementing a restructured life insurance program. During its government-wide open enrollment period in March 1981, all previous insurance waivers by employees were voided in order to allow all employees to participate in the new program. For the first time, large amounts of new optional insurance (up to 5 times salary), optional coverage on family members, extra basic insurance for employees under age 45, and increased amounts of basic coverage for retirees over 65 were provided.

Regaining Control and . . .

Another area where Devine felt that OPM had to reestablish control was in delegations of authority. The Civil Service Reform Act of 1978 allowed for decentralizing many of OPM's personnel authorities and delegating them to the agencies. The law states that agencies can conduct competitive exams for jobs which are unique to that agency. Under the previous Administration, agencies were given broad examining authorities covering a wide range of job series and grades.

During 1981, OPM conducted some 225 full-scale audits of agency examining activities. As a result of its findings and in support

of the Merit Systems Protections Board's report that problems existed with the new delegations, OPM recently changed regulations, returning to itself certain delegated examining authorities, and achieving a relationship in better keeping with the intent of the law.

Giving It Up

Reversing a long-time trend toward greater federal control, OPM has cut back substantially its involvement in state and local government personnel administration. The President's new Federalism calls for limiting Washington's control over state and local government activities. In this spirit, OPM in FY 1981 eliminated its \$20 million intergovernmental grant program in the belief that, after ten years of demonstration funding at the federal level, it was time for state and local governments to decide whether it was worth it to them to invest their own resources in personnel system improvements and training.

OPM also has proposed regulations that would reduce the regulatory burden on state and local governments that receive federal grants-in-aid or other intergovernmental assistance. The new regulations provide state and local governments the freedom from federal intrusion to decide for themselves how to best serve their communities' personnel administration needs.

The Reagan Administration has brought an unprecedented commitment to limiting government spending. One way the President hopes to achieve this is by reducing government employment. He has set the goal of reducing government jobs by 75,000 by FY 1984 and by another 75,000 by FY 1987. In addition to a freeze imposed on hiring and high levels of attrition (some 90,000 non-postal, non-defense jobs in 1981), some agencies have had to separate employees.

Rethinking RIFs

Agencies experiencing reductions in force (RIFs) have found

them disruptive to work and harmful to morale, as well as costly to run. Since the start of this Administration, about 9,000 workers nationwide have been separated.

Devine is proposing changes in RIF regulations, based on experiences at OPM and in other agencies and on OPM's assessment of current RIF procedures. He has described present procedures as "complex, sometimes inequitable and cumbersome."

OPM is seriously considering RIF guidelines that would:

- Hold to a minimum the number of employees who are affected during the RIF process
- Shorten and consolidate the RIF process so that needed reductions can occur quickly and more responsively to management's decision to reduce the size of the workforce
- Give greater weight to employees' performance in determining retention standing

OPM pushed hard to have a governmentwide performance appraisal system in place by October 1981. With added importance given to job performance, OPM hopes to institute even more accurate and effective job evaluations. Devine supports upgrading job elements and standards where needed to ensure that new RIF procedures will be based on accurate and creditable job performance. Also under consideration is a limitation on the notice procedures required in advance of a RIF. This would be done to avoid what experience has shown becomes an agencywide panic once a general RIF alert notice has been issued. Changes in "bumping" and "re-treat" rights, where higher graded workers take the jobs of lower grades ones over whom they have seniority, also could occur. The goal throughout would be to have a RIF process that could be maintained or activated at a minimum cost to resources and staff time.

New Priorities

During the past 17 months,

OPM has concentrated on carrying out and improving its basic personnel administration responsibilities within the Administration's framework for substantially reduced government spending. Many of the goals Director Devine set out to accomplish (see *Management*, Summer 1981) have been realized and other projects are underway. Current efforts include:

- A major study of classification standards to maintain the system's integrity and accuracy. OPM hopes to develop standards of adequacy for position classification programs and plans to schedule governmentwide position classification audits for selected job series.
- Continued support for proposed legislation to amend the Federal Tort Claims Act, H.R. 24 and S. 1775. These bills are aimed at protecting federal employees from private lawsuits for alleged violations of constitutional rights.
- Continued support for proposed legislation to make permanent the Federal Alternative Work Schedules program, a flexitime program popular with the federal workers and supported by the Administration.
- Study and implementation of a performance based incentives system governmentwide to offer lucrative rewards to employees whose job performance is truly outstanding. At the same time, to give management "the teeth" administratively to penalize poor performers, or at the least, to halt granting nearly automatic within-grade-increases.

This has been an active and productive period of change in the civil service. From all indications, it will continue to be.

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COPING WITH THE EMPLOYEE TURNED



INSTITUTION

By Jeffrey P. Davidson

There exists in many large organizations at least one employee who has effectively ceased functioning in the role or position for which he or she was originally hired, or to which he has been promoted. This type of employee has become an "institution." An employee turned institution is acclimated to all the ways of getting through each workday contributing as little as possible, while maintaining an appearance of being on top of the job.

The phenomenon of the employee turned institution occurs frequently throughout the federal bureaucracy since it is difficult to remove an employee from a federal position.

Moreover, the personnel, management, and monitoring systems and procedures within federal government leave much to be desired. The phenomenon also exists, however, within business and industry.

The possibility that an employee can become an institution within any organization stems from a variety of reasons. Sometimes the employee is related to someone in upper management, although the actual occurrence of this is minimal in either government or private industry. Another reason is that the employee possesses specific knowledge or skill that the organization cannot readily acquire from other

sources. The employee may have developed a particular expertise that, at least periodically, is of vital importance to operations. Frequently, an employee turns "institution" within an organization simply because he or she is *allowed to*, and no one (not even the supervisor) is cognizant of, or willing to expose, the employee's general lack of dedication and limited effectiveness on the job.

Frequently an older employee who has been with the organization since "Day One" can intimidate others who have less seniority. Surprisingly, this intimidation may even extend to the employee's su-

supervisors or to upper management. (Those who are unaware of the phenomenon can often increase the chance of its happening.)

How does an employee become an institution, how can you identify one, and—most important—what can you do about one?

Knowing the Ropes

In order to become an institution within an organization, an employee must "know the ropes"; he or she must be able to understand how the system works before the system can be circumvented. An employee cannot become an institution without wide exposure to the system and its procedures. Perhaps the employee has worked for a time in the billing department and then been transferred to sales and then later been transferred to receiving. In government, the exposure may have been gained in the public relations office, or as a special assistant to a director or in service on a special task force.

Supervisor Unaware

Usually when an employee turns institution the occurrence is due, in part, to a *lack of awareness* on the part of one key manager or supervisor. That one key person having knowledge of the employee's true work habits and operating procedures, would not allow such a practice to exist.

Inflexibility

A clue that an employee has become an institution is a pronounced lack of flexibility; the employee is vitally interested in maintaining the status quo and regards change as a major threat to the kingdom he or she has established.

The employee turned institution promotes mediocrity; when confronted with an idea that might be good for the organization but would involve real work, the employee will often respond with idea-killing phrases like "We've tried that before," or, "That never works."

Covering Up Techniques

The employee turned institution is very well versed in "cover your behind" techniques and, in fact, has

developed an entire set of procedures to cover himself rather than accomplish anything for the organization. Some of the techniques used to cover oneself include faithfully filling out time sheets, completing other reporting requirements and quickly responding to memos and directives of immediate supervisors.

Influence Peddling

Another way to identify the employee turned institution is to observe who is influence peddling. There is a strong tendency among employees turned institution to influence others within the organization. Quite frequently, employees turned institution will be leaders of employee organizations or union groups, as they recognize that these positions will shield them from having to maintain job-related responsibility. Many leaders of employee groups are effective as employees within the organizations for which they work. The employee turned institution, however, uses employee or union groups for selfish ends. He or she also seeks the loyalty of selected subordinates and tries to form a cadre of employees who will act as a buffer to hostile parties.

Vacation Policy Expert

The employee turned institution is keenly aware of the benefits and deductions from one's paycheck. He uses compensatory time, sick leave, and annual leave to full personal advantage, taking each and every day as written in the policy handbooks. While the employee may make no significant contributions, rest assured that he or she will be well informed of organization policies and procedures, and will do whatever possible to stretch the policies for personal advantage.

How to Stop 'Em Cold

The employee turned institution can flourish only when otherwise good managers and supervisors refuse to see the true picture. The employee must be stopped cold, before having a chance to:

- Lower productivity,
- Demoralize other employees,
- Unfavorably influence other

employees,

- Tarnish the organization's image to outside parties.

Once an employee turned institution has been uncovered, quick action must be taken. First it is desirable to *reassign the employee* to a new department, division, or operating unit, to reduce the employee's "comfort level." If the transfer is not in the best interests of the organization, then the employee should be *given new tasks* and responsibilities, while assigning his or her previous ones to someone else.

The employee turned institution should be *physically relocated* to a different office. Preferably, the new location should be next door to the immediate supervisor, or in a highly visible location.

Without making it obvious, the supervisor of an employee turned institution should initiate the practice of *periodically checking* to see how—and what—the employee turned institution is doing. If necessary, new or expanded daily and weekly *reporting logs* can be introduced.

Circulate a memorandum to the entire office, stating that activities and behavior that interfere with the primary functions of the organization will result in punitive action or dismissal. Good employees won't be troubled reading the memo; employees turned institution will cringe.

If an employee turned institution is discovered after a relatively short period of time, sometimes a *stern message* delivered in person by the head of the organization can rectify the situation. However, if an employee turned institution has been allowed to flourish for a prolonged period, and the seven steps above have been ineffective, then once he is discovered, *dismissal*, unfortunately, is the best procedure. Some supervisors may find dismissal or termination too harsh. It isn't; not for someone who has *consistently circumvented the system for his or her own ends*.

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RIF PROCEDURES



How They got Here from There

By Thomas A. Glennon

The Fall 1981 issue of *MANAGEMENT* summarized the workings of the reduction in force system that is used in the Federal service. One conclusion is apparent after reading the article: the present reduction in force system is complex. It is only natural to ask how the reduction in force system developed. The answer is that the present system has been evolving for over a hundred years, with origins reaching to the earliest years of the Federal service.

From the founding of the Republic in 1789 until the early twentieth century, each executive department handled reductions in force in its own way. Some early evidence indicates that the departments were concerned with selecting and retaining the more efficient employees. However, with the growth of the patronage system in 1829, government employment was popularly considered a reward for supporting the victorious political party. As a result, government employees had

no retention rights to their jobs.

Congress first became interested in establishing a retention system for federal employees when it provided as part of an 1876 veterans law that each department must retain discharged veterans over non-veterans in a reduction in force. With the passage of the *Civil Service Act* in 1883, the principle of veterans preference, as well as that of competitive appointment, was established by law.

Until 1912, each executive department continued to apply its own procedures in conducting staff reductions. The departments generally tended to retain employees with permanent status over other employees, although this was not required. In 1912 Congress enacted the *Efficiency Rating Act*, which introduced efficiency ratings as a reduction in force retention factor. However, the *Efficiency Rating Act* had little real impact on personnel policies in the Federal service until *Executive Order 3567* in 1921 es-

tablished an efficiency rating system. This Order provided that employees having the lowest efficiency ratings would be the first persons affected by separations and demotions in a reduction in force, and veterans with "good" ratings were given preference in retention.

In 1925 the Personnel Classification Board, which was established by the Classification Act of 1923 to implement compensation schedules, issued *Circular 20* containing the first uniform reduction in force regulations. These regulations only applied to departmental service (i.e., headquarters rather than field) employees covered by the Classification Act of 1923; other Federal employees were still released according to the different procedures of the individual departments. *Circular 20* contained the following significant reduction in force procedures:

- Temporary employees were to be demoted or separated before permanent employees.

- Veterans, widows of veterans, and wives of disabled veterans received absolute preference, provided they had efficiency ratings of "good" or higher.
- Employees were to be in competitive levels grouped according to their respective grade levels to determine their order of release.
- Seniority was introduced as a retention factor.

The functions of the Personnel Classification Board were transferred to the Civil Service Commission in 1932. The retention system used from 1933 to 1942 was periodically refined, but essentially the procedures provided for in Circular 20 were left intact. Then in March 1943 the Civil Service Commission issued **Departmental Circular 412**, which provided that length of service was to be used as a retention factor only when necessary to break ties in retention standing. In July 1943 the Commission issued **Departmental Circular 431** which, in effect, increased the weight of seniority as a reduction in force retention factor. The apparent intent was to give higher standing to long-term employees in any post-war reductions of personnel. Circular 431 also extended the coverage of the reduction in force regulations to the field service. (The efficiency rating system had been extended to the field service by the Mead-Ramspeck Act of 1941.)

The present reduction in force system was established in law by the **Veterans' Preference Act of 1944**, which codified all existing provisions granting preference to veterans in the Federal service. However, rather than granting additional benefits to veterans, the **Veterans' Preference Act** simply confirmed the regulations and practices in effect at that time. Section 12 of the Act is particularly significant because it provided that:

- The Commission's reduction in force regulations must give effect to the following four factors in releasing employees—(i) tenure of employment; (ii) military preference; (iii) length of service; and (iv) efficiency ratings. (The Act did not assign any relative weight to the four factors, or require that the factors

be followed in any particular order.)

- Veterans with "good" or higher efficiency ratings must be retained in a reduction in force ahead of all other competing employees.
- When any of the functions of an agency is transferred to another agency all veterans who work in the transferring function must first be transferred for placement in positions in the agency gaining the function before the gaining agency can appoint additional employees from any other source to fill those positions. Under authority of the **Veterans' Preference Act**, the Commission in August of 1944 issued **Departmental Circular 500**, which provided for a new reduction in force system in which tenure was the primary retention factor and length of service was the least important factor.

In November of 1944 the Commission issued **Departmental Circular 510**, which is significant for incorporating the following two major concepts into the modern reduction in force system:

- A "competitive level" was redefined to include all positions in which employees could be reassigned from one position to another. (The older concept of a competitive level viewed the listing of employees primarily on a classification basis so that employees in positions with different titles were automatically considered not to be interchangeable for reduction in force purposes.); and
- The principle of "reassignment rights" between competitive levels was introduced.

The Commission revised Circular 510 in 1945, primarily to introduce major changes in computing retention credits for efficiency ratings. Under the revised **Circular 510**, the top rating of "excellent" was given a value of 5 points. (Previously, efficiency ratings had been valued at 80 points for "good" and 96 points for "excellent.") This change eliminated efficiency ratings as a major retention factor unless an employee received less than a "good" rating, and further increased the weight of seniority.

The development of reassignment rights is of particular importance.

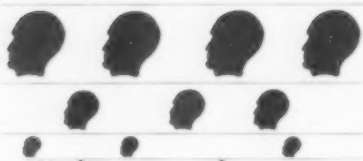
The 1944 Circular 510 provided that employees in like positions would be listed on a retention register in a hierarchy of three retention groups; each retention group in turn included four subgroups. Within the respective retention groups veterans were listed above nonveterans, and within the retention subgroups employees were listed in sequence based on their respective service date and performance rating. In a reduction in force, employees were reached for release beginning with the lowest-standing employee in the lowest subgroup, then to the next highest-standing employee, and so on. No employee in the highest retention group (which consisted of employees serving in permanent appointments) could be separated if the employee qualified for a position on another retention register which was:

- 1) in the same department;
- 2) in the same geographical location; and
- 3) expected to continue for at least one year.

Veterans in the highest retention subgroup were offered occupied or vacant positions before nonveterans in lower subgroups. This system of reassignment rights based upon subgroup superiority forms the basis for employee "bumping" rights which continue to the present.

In 1947 the Commission issued regulations that allowed employees to be reassigned to positions on another retention register that were held by an employee in the same retention subgroup if the position was the same as one from which the released employee had been promoted, and met the three characteristics covered above (same department, same location, at least once a year) to establish bumping rights. This system of reassignment rights set up a limited form of bumping within the retention subgroup and later became known as "retreat" rights.

The new reduction in force system was immediately tested as the Government scaled down its workforce following World War II. In 1939 the federal workforce consisted of 936,000 employees. By 1945 the federal workforce had in-



creased to 3,786,000 employees, but by 1950 the number of employees had declined to 1,934,000. During the Korean conflict the federal service grew to 2,532,000 employees in 1953 and later shrank to 2,240,000 by 1960 following the post-war reductions of the middle 1950's.

From the late 1940's to the early 1950's the reduction in force procedures gradually underwent additional changes, particularly the provisions relating to reassignment rights, tenure groups, and outplacement efforts. (For example, in 1947 reduction in force reassignment rights were broadened to include positions expected to continue for three months or more rather than for one year or more, as previously provided). Then, in 1953, the Commission issued regulations that limited bumping and retreat rights to a single installation (i.e., "competitive area") rather than throughout the commuting area in which the department was located. This change reduced employee dislocation when a department had more than one installation in a single geographic area.

The importance of veterans preference also increased as a retention factor, mainly because of the large numbers of returning veterans who went to work for the federal government. For example, in early 1945 approximately 12% of the federal workforce were considered veterans for retention purposes. By 1948 approximately 40% were veterans; 50% in 1955, and 52% in 1960. (At present approximately 48% of the federal workforce are veterans.)

The next major revision of the reduction in force procedures came in the early 1960's. In 1960 the Commission issued **Supplement No. 2 to Departmental Circular 740** covering the application of the reduction in force regulations in a transfer of function. The Supplement was designed to reduce agency problems

in determining where the transfer of function provisions of the Veteran's Preference Act apply. These procedures are found in OPM's regulations and the Federal Personnel Manual. Then, in 1961, the Commission approved a general revision of its reduction in force regulations including the following changes:

- The assignment provisions were broadened by giving agencies the specific right to fill vacant positions by a reduction in force action.
- Employees were now ranked using their service date rather than on a point basis.
- An employee with an "outstanding" performance rating received 4 additional years of retention credit.
- Agencies were required to give employees 5 days specific notice before taking a reduction in force action; this period could be included in the existing requirement of 30 days total minimum notice.

Although the Federal workforce increased by approximately 300,000 employees between 1960 and 1970, the reduction in force procedures were needed in the reorganization of the Department of Defense during the mid-1960's. The only significant change to the reduction in force system during this period resulted from **Public Law 88-448** (the Dual Compensation Act of 1964), which limited the conditions under which an employee who is receiving retired pay from a uniformed service may be considered a veteran for retention purposes.

In 1978 **Public Law 95-454** (the Civil Service Reform Act) amended the reduction in force provisions by providing that a veteran for reduction in force purposes with a compensable service-connected disability of 30% or more is entitled to:

- Be retained over other veterans in reduction in force competition; and
- Receive automatic consideration by the Office of Personnel Management (OPM) if the agency finds that the employee is not able to fulfill the physical requirements of a position to which the employee would otherwise have been assigned under the retention preference regulations.

During 1979 and 1980 OPM issued new regulations to communicate other changes that resulted from **Public Law 95-454**. This project was also undertaken to revise the reduction in force regulations and to update and simplify existing material. The new regulations covered:

- How to establish reduction in force tenure groups for new managers and supervisors.
- How to use new performance appraisal systems in the determination of reduction in force retention standing.
- Clarification of the reduction in force assignment rights of full-time employees to other-than-full-time positions.
- Clarification of the transfer of function provisions.
- Clarification of how agencies determine the retention standing of employees receiving military retired pay.
- How to establish reduction in force competitive levels for managers and supervisors covered by the new merit pay system provisions.
- Clarification of how reemployment priority lists are established and maintained.
- Clarification of how agencies determine the retention standing of employees in trainee and developmental positions.

In 1981 OPM issued a revised Federal Personnel Manual Chapter 351 which incorporated the revised reduction in force regulations in the basic guidance to agencies. The new chapter was designed to further simplify and clarify the reduction in force system. At the same time OPM geared up to assist agencies that are faced with possible large-scale reductions or reorganizations.

OPM is presently reviewing the reduction in force system to determine whether any additional changes should be made in the retention procedures that are applicable to most Federal employees. Experience with the latest wave of cutbacks will result in another chapter added to the long history of reduction in force in the federal service.

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A CHECKLIST FOR MANAGING CUTBACKS

By Harold I. Steinberg

Introduction

As a result of the rapid growth of government programs in the past two decades, senior federal managers have accumulated a wealth of experience in establishing new agencies, expanding programs, and increasing the scope of federal activities. Today, however, many of these same officials are faced with challenges of a fundamentally different nature.

Following Congressional approval of restrictive budget and program initiatives, many federal agencies are now being required to accommodate major permanent budget reductions. Not since the wind-down of emergency governmental machinery after World War II have government-wide reductions on a comparable scale been imposed. Many agencies consequently lack direct experience in handling the unfamiliar demands, pressures and problems that such widespread retrenchment entails.

Veteran federal manager Dwight Ink has gained recent first-hand experience in directing the closeout of a sizable federal agency, the Community Services Administration. Shortly after CSA closed its doors, on schedule, on the last day of fiscal year 1981, Ink suggested that the Office of Management and Budget might provide a useful service to officials faced with comparable assignments in the future by circulating checklists of matters that must be attended to in major cutback or closeout situations. I had to agree with him.

Over the past few months, OMB management staff developed a set of guidelines that might help managers facing major cutback require-

ments. Drawing liberally from the rather sparse public administration literature on the subject, from interviews, and, most important, from the experience of individuals with knowledge of specific cutback management tasks and requirements, two checklists were compiled.

The first, covering the planning needed when substantial cutback requirements have been imposed, follows. It assumes that managers have some flexibility as to how the reductions may be absorbed.

A second checklist, for implementing retrenchment plans by identifying specific actions to be taken once cuts have been targeted on particular programs, organizational units or facilities, is available upon request, from OPM. Many of the implementation guidelines in the second list are uniquely applicable to organizations that are being abolished entirely, rather than merely reduced in size or scope.

The two checklists are similar in several respects. Neither can be regarded as complete; their general guidance must be adapted to each manager's individual style; and their purpose is to contribute to the orderliness, timeliness and fairness of reductions that have been imposed through the political decisionmaking process. The guidelines are not meant to suggest independent initiatives by agency managers, and, emphatically, neither should be regarded as official guidance from OMB or any other agency.

Management Framework and Approach

- A The agency head should designate a politically accountable official who is in a position to provide continuing leadership and take responsibility for achieving cutback requirements in a timely, orderly fashion. This individual must be fair, tough-minded, and able to make hard decisions and then "take the heat."
- B Establish, in advance, measures to assure a professional, sound and legal approach to arriving at specific cutback decisions.
- Assure that subordinate mana-

gers and employees know that they will be held accountable for specific results measured by such signs as objective options development, defensible recommendations, open communications and specified appeal routes.

C Involve the constructive support of both policy officials and career managers and staff. Consider back-up teams and cross-cutting mechanisms to provide depth, coordination, and responsiveness to the effort.

When internal expertise is insufficient or unavailable, consider bringing in support from other agencies or private sources. Such "outside" assignments should provide temporary, expert, and impartial assistance to supplement, not replace, duly authorized decisionmaking. In particular, the personnel office should be called upon to provide advice on rules, regulations, and options. Use OPM's training courses in RIF procedures and coping with cutbacks.

D When possible, emphasize positive purposes for the cutback requirements. Staff can be expected to cooperate more willingly for constructive purposes—e.g., cutting back to a smaller but still vital program that will more effectively serve carefully targeted needs. Most employees realize that an agency's performance and efficiency can always be improved.

E Encourage the active cooperation of agency employee organizations. Union contracts that constrain flexibility should be read carefully when preparing strategies in order to avoid later grievance, arbitration, and legal problems. To the extent feasible, bring union leadership into the cutback planning process.

F Determine timing and extent of consultation with pertinent congressional committees and key interest groups. Consultation both before plans are completed and after decisions are made can provide useful insights and information, and elicit under-

standing and support.

G Assure that the organization's chain of command is centralized and tight enough to assure responsiveness to cutback decisions without delay, resistance and political gaming.

H Carefully select the subordinate managers who most appropriately should carry "bad news" to operating elements and employees ultimately affected. They should be perceived as honest and concerned, have no ulterior motives, and have enough authority to smooth out problems as they are identified.

General Cutback Strategies

A Identify the extent to which mandatory cuts leave areas of discretion and flexibility that can be used to help cushion or absorb the reductions.

B To the extent flexibility exists, consider whether cutbacks should be made across-the-board, through targeted cuts, or a combination of both. Is it better, for example, to cut five programs by 20 percent each, or one of them by 100 percent?

C In assessing the merits of across-the-board cuts, consider whether the effects of cuts would in fact be shared equally. Would some small units or programs be so reduced that their mission accomplishment is threatened? Should programs that were recently cut back be again included in a new across-the-board reduction? Keep in mind that repeated across-the-board decreases can lead to unknown cumulative outcomes "down the line" and eventual loss of management control and program effectiveness.

D Compare the potential savings from RIFs vs. those possible through furloughs, attrition, hiring freezes, adjusted plant and capital expenditures, overhead costs, etc. Note especially that RIFs are costly in the short term because of outlays for severance and accumulated leave pay, so that the time remaining in the fiscal year is a critical factor in evaluating po-

tential savings from RIFs. Consider terminating temporary employees or furloughing full-time, permanent employees before resorting to reduction in force.

E Consider whether planned administrative or maintenance expenditures can be delayed, reduced, or eliminated. Can rented space be tightened up and reduced? Can assets be sold to reduce operating costs? Carefully determine how much administrative services (personnel, budget, travel, ADP, etc.) can be cut back before vital support to programs is unacceptably impaired. Involve program managers in this assessment when feasible. This effort should not be limited to administrative operations but should extend throughout an agency to eliminate unnecessary layering of units, operations and jobs (e.g., deputy, assistant, and "assistant to" positions).

F Look for programs that can be reorganized and consolidated so that the same functions are carried out with less staff and lower overhead. Can field offices be closed down or consolidated? Decentralization of headquarters authority, which often permits drastic cutbacks in red tape and costs, should be considered. Call upon organization and resource management staffs for advice and assistance in these areas.

G For targeted program cuts, anticipate managerial debate, conflict, even leaks and court challenges. Emphasize professionalism and reward positive attitudes where possible. Be prepared if necessary to discipline willfully obstructionist managers, but encourage candid discussion of different ideas on how best to carry out approved reductions.

H Consider how participative the targeted cut decision-making process should be. Management by consensus can help in the cutback planning process by eliciting cooperation and obtaining ideas on how to comply

with the least cost and disruption. However, this approach means managers will be directly involved in key decisions over dismantling their own programs, a situation that could prove awkward, divisive, and a potential conflict of interest. The key is first to establish 1) that the cutback policy decision has been made and 2) the date on which it is to be completed, so that the managers' expertise is focused on effective implementation rather than on debating the wisdom of the policy decision.

I Both "winners" and "losers" should be included in the planning, so that declining programs are encouraged to be productive and involved as they reduce their activity and so they will be more inclined to accept new assignments.

J Work with OMB to assure that the cutback requirements are clear and that the degree of flexibility in timing, areas covered, personnel ceilings versus dollars, etc. is mutually understood.

K Envision the resulting operation once the cutback is completed. In a cutback situation, reorganization may add little additional turmoil. Keep managers focused on output measures that make a difference to the public (e.g., benefit checks sent within three weeks) rather than strictly input measures (such as dollars, personnel, contracts, etc.). Successful cutback often means finding a workable balance between minimal input and adequate output.

L Encourage managers to exercise flexibility and creativity in assigning work. Avoid stereotyping people and adhering rigidly to established patterns. Imagination can be the key to achieving cutbacks without damage to people or programs.

Mission and Program Reviews

A Determine which activities are mandated by law and must be carried out unless the law is repealed. Flexibility often exists

in *how* and to *what degree* such mandated functions are carried out. On the other hand, some authorizing statutes may specify operating procedures in detail, presenting real constraints on cutback management. The importance of non-mandated activities should be categorized based on objective criteria.

B Determine which activities the organization does best and which it does less well. Activities with perennially poor records may be relatively more expendable in the harsh light of severe cutback requirements.

C Review the time-honored functions that have not undergone close scrutiny in recent years to identify any opportunities for cutback based on obsolescence, changing priorities, etc.

D Simplify organizational layering, particularly after various cutbacks are taken. Existing review levels in Washington or the field may not be necessary.

E Production operations that are susceptible to unit cost measurements can be examined to isolate and eliminate sub-units with low output that contribute to high unit costs.

F Programs that serve a relatively small or less critical clientele may warrant a lower priority for retention.

G Avoid immediate or near-term reductions that will lead to long-term problems and higher future costs. Certain staff or "overhead" functions, for example, may be critical to overall productivity even though not directly involved in line production.

H Where possible, services should be contracted out to the private sector at less cost to the government. (See OMB Circular A-76 for guidance.)

Employee Participation/Assistance

A Employees should be asked to suggest candidate programs and ideas for reduction. Consider use of financial awards for suggestions leading to significant savings.

B Management should discuss resource problems with employee groups and unions to the extent possible and as required by consultation and reorganization obligations or agreements. These organizations should be encouraged to work with management to achieve economies, since the alternative may be disruptive RIFs or layoffs.

C Ensure that the personnel system and employee relations practices can handle the severe additional burdens of RIF procedures, counseling, personnel communications, negotiated agreements, discipline, etc.

D Determine resources available and legally usable for outplacement assistance. Anticipate that the personnel office will be under unusually heavy pressure in meeting cutback requirements. Consider outplacement task forces of line managers who may have "networks" of specialists not available to normal personnel channels.

E Anticipate employee apprehension over job security and develop a communications policy that is sensitive to the eagerness for valid information. Release information quickly and fully so that it may be communicated by supervisors or other official channels *before* it can circulate in distorted form through the "rumor mill" process.

F Establish rumor control mechanisms to dispel false information as it erupts and to bring the rumor level to management attention as a measure of the underlying morale and productivity of the agency.

G Ensure that program and personnel decisions, once made, can be quickly and decisively carried out with careful attention to procedural requirements and with timely notification.

Harold I. Steinberg is Associate Director for Management, Office of Management and Budget.

A copy of the second checklist may be obtained from the Office of Public Affairs, OPM Attn: Management

The Ten Stages of a RIF

By Robert J. Heaston

Reduction in Force has a terrible sound to it. Even the acronym, RIF, has an ominous ring. Unfortunately, the word is being heard quite frequently these days. It is a sound that comes and goes in cycles.

I have been "RIFed" more than once in my Government career; it is a very difficult and frustrating event to experience. I worked on Air Force Project HEF that was cancelled; for the Chemistry Office of the Advanced Research Projects Agency that was abolished; for the European Research Office in Frankfurt, Germany, when it was closed down and moved to London, England; and for the Army Research Office in Arlington, Virginia, which was closed down. I took a reduction in grade once, and only two of the eleven positions that I occupied over the years are in existence today.

During a party closing down one of my former offices, my colleagues helped me to facetiously define ten stages we had gone through during our reduction in force. Since then I have seen these stages repeat themselves over and over. They are worth passing along. Following you will see a summary of the ten stages of a dying office or organization. Every example actually happened. Some recommendations are offered to preserve your sanity.

Stage One: *Decision shock*

Nobody is quite prepared to be told

that he or she is not needed anymore. It is worse when a group is told: "Project Infinity is herewith terminated," "The Division of Requirements is no longer required," or "The Permanent Facilities Agency is to be moved 3,000 miles away." Shock at the decision literally and physically overwhelms everyone. For days on end, the only subject at the coffee breaks is, "They didn't, really!" There is a certain masochistic relief at knowing that Stage One has been reached. Nothing is more demoralizing and promotes inefficiency so much as the uncertainty of not knowing whether or not you are going to be RIFed.

Stage Two: *"Let's You and Him Fight the Decision"*

After recovering from the initial shock, the first reaction is, "I'm not going to take this sitting down." The natural instinct is to get someone to fight the decision. Unfortunately, it usually turns out that the decision was made too far up the line to reverse the process. It is nearly always a joust with futility. If anyone is to fight the decision, someone else should play the game of protesting: You are too busy trying to find another job.

Stage Three: *Push the Panic Button*

Panic! Panic! Oh, the panic! Some people, usually not too many, make a change almost as soon as the decision is made. At first, the early-outers are considered as panicked deserters. The paradox is that the people who leave quickly often come out smelling like the proverbial rose. That is the sickening aspect which haunts and torments those left behind. "I'm going to stay with this sinking ship until I do as well as the first rat who deserted it." Even those who are eligible to retire, but had not planned to, are

forced to make decisions that they had been putting off. Everything is rushed.

Stage Four: *The Vultures are Circling*

As the word spreads about the demise of your operating license, the environmental heirs start dividing up your property. "Since you're leaving, you don't need that corner office ... the supply room ... the duplicating machine ... the conference room ... and by the way, when are you departing?" It is not the time to schedule any lengthy trips, unless you leave the lights on and keep work piled on your desk. It is also advisable to call daily to see if your phone is still hooked up.

Stage Five: *Paranoiac Fantasy*

It is impossible to avoid some personal recrimination. "Why did they do this to me? What did I do to merit this?" Even the secretary to the six-man staff of the Office of the Assistants to the Assistant Director wonders what she did wrong to cause the loss of the jobs of the other 5,000 people in the organization. "I have always done a good job. Why do they have to pick on me? It is a Communist plot. My boss just wants to get rid of me. Reduce defense spending and give me my job back." It is hard not to feel insulted, embarrassed and demeaned when you are asked to take a reduction in grade. You lose confidence in yourself. Your ability has been questioned. You will forever be tainted with the mark: RIFed.

Stage Six: *The Demolishers*

Close on the heels of Stage Five come anger, conflict and distrust. Those who stoically accept the decision and in good faith try to bring things to an orderly finish often meet with disdain. Late arrivals on the scene, who incidentally are

moving on with the office, are held in greater contempt. They are the demolishers. At this point, tempers often flare. Even old friends may argue and display feelings which are totally unjustified. Tears come easily. Reliability and competence displayed over the years are forgotten. The suffering at this stage often leaves a permanent trace of bitterness. "I will never work for the Government again." "I do not want to work for or with him again." "This agency is no good." This lingering after-taste is the real tragedy.

Stage Seven: "Where's All that Assistance?"

For years, other offices and departments have gladly helped you. If you are a supervisor, your subordinates who laughed at your jokes, who marveled at your intelligence, are not to be found. How lonely life is now. It is almost as though you have some terrible contagious disease. You have to type your own job applications. Friends disappear. Supplies dwindle. Services diminish. Just when you need help more than at almost any time in your life, you have nothing to offer in return. You are even too bitter to be thankful. This lack of support has to be accepted early. You find out very quickly that not many people will come to your rescue. Nor will you receive much sympathy.

Stage Eight: Planned Deterioration

How does one measure the efficiency of a worker in an organization that will stop operating in six months? This is especially difficult because efficiency is decreasing exponentially with time under these circumstances. You have to be pre-occupied with finding a new job. If you are just waiting for the new job to arrive but your workload has already decreased, you have time to

make such observations as these: Why should I slave? What good does it do to run up sails when the bow is already under water? It is also quite true that people observe other people more during the last days than earlier. As with a drowning man, all life seems to flash by in retrospect. How unfortunate, too, because at that point performance in terms of the old mission is so poor. On the other hand, performance to close up shop and find a new job is at a peak of effectiveness. People are really quite busy, but not in terms of the formal job description.

Stage Nine: Disinterested Disintegration

It is moving time. It is a time for going away parties. Everyone is "short." Perfunctory farewells greet you at every turn. Nothing productive to the organization is done. Only individual objectives are meaningful. Few fail to experience some nostalgia at this point. Some people just steal away and are gone. They say that they could care less—but they do.

Stage Ten: Afterthoughts

More often than not, there comes a day when someone says: "Why did we make that decision?" Of course, it is too late. The decision was wrong and those who fought the decision have a slight feeling of, "I told you so." But, there is nothing that can be done about it now. A new cycle has started. There may even come a time when you think to yourself, "Maybe they did the right thing after all."

It is not necessary to experience all of these stages personally. Nevertheless, there will be plenty of opportunities to watch others suffer. If you are aware of the ten stages, you will be even more perceptive. A word of warning might be offered, however. You must exercise your

perception without being caught in the whirlpools of emotion swirling all around you. Three recommendations for non-involvement are offered:

1. *Remain calm in the midst of confusion.* Do not get angry, no matter what. The fact that you are reserved will raise some friction, though. People will regard your smugness as a sign that you already have a new job. Do not act on any rumor. Find out for sure that there is a RIF and that you are affected. The person who makes the decision to RIF you probably will be retaining his job and will be embarrassed to tell you. Your pride will keep you from finding out for sure. All conditions add up to the fact that you will be the last to know.

2. *Keep your faith, but look out for yourself.* All of the system that you once took for granted must be watched carefully. You must follow-up on everything that you want to produce a prescribed result. Devote every resource you can to finding a new position and tell your plans to no one. Help others, but do not be surprised if the people who are your references apply for the same job.

3. *Remember the good old days.* There will come a time when the struggles and frustrations will pass. Except for a few hoarders of bitterness, almost everyone will look back with exaggeration on moments you shared with friends. It is surprising the fondness with which you will recall, "How I went from a GS-14 to a GS-4 in the cutbacks of '82." You will survive.

Dr. Robert J. Heaston is Technology Manager for Weapons Systems on the Army Staff in the Pentagon. During his 25-year career with the government, his position has been abolished five times. During one RIF, he was interviewed by 52 different people. Later, he realized that only three of those people could make a decision to hire anyone.

The views of the author do not reflect the position of the Department of the Army or the Department of Defense.

Why Your Boss Makes You Feel Stupid

By Fred E. Fiedler

Ever had a boss for whom you couldn't do anything right? In such a stressful situation, you can't use your intelligence to solve problems creatively. But you can change the boss's behavior.

A nice word from the boss usually makes us feel good and increases our esteem and self-confidence; a nasty comment or a derogatory evaluation can throw us into the dumps.

The boss controls your comfort and your future in the organization. It is almost impossible to be promoted unless your boss recommends it. In many cases your chances for getting another job depend on your boss's good recommendation. Not surprisingly, some bosses can give subordinates ulcers, high blood pressure, and other psychosomatic problems.

But the boss does more than influence your emotional well-being; the boss also affects your ability to think well. A boss can make you seem either stupid and ignorant, or bright and creative. Since your ability to adjust and survive in your work organization has broad implications for your health and well-being in a more general sense, this is a problem of some consequence.

In some cases the boss may be mean and sadistic—somebody who really wants to show you that you're not all that good, that you are dependent on his assistance and support. In most other cases it's just that the boss himself doesn't know how the job is to be done. But he wants it done yesterday.

This type of stress puts you in a double bind. You are not told what you're supposed to do, but you are told that you aren't doing it well. You are told that you should produce more, but not what it is you're supposed to produce, or how to do it. Unfortunately, situations like this are far from rare; and they take a toll. Who hasn't been faced with a teacher or a boss capable of turning you into a babbling imbecile and making you act "dumb"—for whom you just can't do anything right? This happens when we are under stress, when we somehow can't feel comfortable with the person for whom we are working.

The effects of such stressful relationships show up quite clearly in a number of studies done by my associates and myself. Much of our work was conducted in military situations which permitted us to study a relatively large number of leaders or managers in very similar jobs who were in charge of almost identical groups. Our sample included 158 Army infantry squad leaders; 130 Coast Guard officers, petty officers, and civilians in responsible staff positions; 45 Army company commanders; and 47 battalion staff officers.

In all of these studies we obtained intelligence scores and asked the men how long they had been in the service (that is, how much experience they had in their organizations.) We asked their supervisors to evaluate their performance; and we asked the men to tell us how much stress they perceived in their relationship with their immediate supervisor. Interesting-

ly enough, those who reported high stress levels performed as well as those who reported that their relationship with the boss was relatively free of stress.

Unleashing the mind.

However, when we divided the group into those who reported low stress with their boss and those who reported high stress with their boss, the results were even more interesting. When stress was low, the leaders who were intelligent performed better than those who were less intelligent—they utilized their intelligence on the job. However, when stress with the boss was high, the leaders who were bright performed no better than those who were less bright.

Even more interesting, among those who held staff positions—that is, the Coast Guard officers and petty officers—stress with the boss appeared to prompt misuse of their intelligence. Those who were bright performed even less well than their intellectual inferiors. In other words, intelligence actually seemed to decrease their performance, especially on intellectually demanding tasks.

One of my associates, Donald Borden, conducted a large validation study of 412 officers and noncommissioned officers of an infantry division in order to check these findings. The general findings were the same. When stress with the boss was low, officers and NCOs were able to use their intelligence on the job. When stress with the boss was high, intelligence

did not contribute to performance.

On the other hand, those with more experience, as measured by time in service, again performed better than those who were less experienced—but only when there was a stressful relationship with the boss. Under low stress, the more experienced people performed neither better nor worse, on average, than those who were less experienced.

Routine response. Our findings suggest that stress with the boss causes people to fall back on routines, overlearned behavior patterns, and rather stereotyped solutions. Only when there was relatively little stress with the boss did most of the people in our samples seem to use their heads, to think up new and creative solutions which contributed to their job performance.

The findings were quite similar in a study of Coast Guard cadets. Valerie Barnes, Earl Potter, and I compared the performance of Coast Guard cadets who reported stress in their relationship with other cadets, with their commanding officer, with faculty, with parents, and in the academic environment. We found that their intelligence test scores—on the Scholastic Aptitude Test (SAT)—did not correlate with their grade point averages when these cadets reported stress with peers or the commanding officer. However, when stress with peers or the commanding officer was low, the SAT scores correlated very highly with performance in academic work. (Stress with parents,

with faculty, and in the academic environment had little or no bearing on how these cadets used their abilities.)

These results have some very important implications for everyday life. Stress with the boss can make you seem unintelligent; it can make you look dull and incompetent. Only when stress with the boss is relatively low can you “use your head” and shine intellectually. A stressful relationship with your boss can, therefore, be dangerous to your career as well as to your ability to cope with the job.

Manage the boss. You obviously cannot always choose your boss or the relationship that will develop with your supervisor. Some bosses are stress generators; some like to keep their subordinates in a constant state of turmoil. But if you are bright, you are not completely helpless. Here are some guidelines to help you change the relationship and make better use of your intelligence:

1. Stress with the boss is generated in its most virulent form when he makes a lot of demands of you but fails to give you support in solving problems. Ask for the most detailed information possible. Most bosses will respond to a plea which indicates that you really want to do a good job, but you don't have enough information. Identify the standards your boss demands and the specific conditions under which the job should be done—the milestones which will tell you that you're proceeding on the right road.

2. For most people, the single most effective method for reducing any behavior of a boss that generates stress is behavior modeling. Everyone likes to be admired.

Everyone likes praise and the approbation of others. The individual who finds that his boss is stress-producing must learn to follow the basic rules of behavior modification developed by Skinner. The principles are easy enough:

- Carefully watch for the type of behavior you want to see in your boss; this may be a more pleasant and relaxed manner, a more approachable and friendly attitude, a willingness to explain, or a gesture or action to help you understand what it is the boss wants you to do.

- When this behavior or action occurs, show your appreciation and praise your boss. Bosses, too, are often hungry for praise and rewards. Say, for example, “You know, I really appreciate the trouble you took to explain this job to me. It makes my job so much easier.” This is not flattery. It is merely rewarding your supervisor for doing the right thing. It is no different from rewarding your subordinates for good performance or for acting the way you want them to act. Obviously, you cannot expect behavior to change overnight. But three or four responses of praise and thanks might well induce a marked change in most people.

3. You might also seek some training in managing your own stress. Courses of this type are offered in most communities; and, in many cases, some stress-

management training can be self-taught. Ask yourself why you respond in such a stressful manner to your boss.

What kinds of images do you have in your head? Do you really have a realistic picture of the boss, or is it something you carry over from your own past? One way to handle this type of stress is to determine in advance how you will respond to the boss's demands or, perhaps, to imagine the boss as a lamb or a friendly, but harassed, dog rather than as a fierce and dangerous tiger.

To some extent, your ability to use your intelligence depends as much on the organization as it does on us. When someone tells you to “use your head,” it might mean that you are distracted, didn't get to bed until dawn, have been preoccupied about your love life, or are just lazy. But it might also mean that the work situation has rattled and disadvantaged you to the point where your ability to use your head has been temporarily diminished. If that's the case, it is your responsibility to find remedies.

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The Right Way to Employ Consultants and Experts

By Thomas O'Connor

Are consultants good? ... Are consultants bad? ... Stories and anecdotes abound. Congressional hearings and GAO studies have disclosed extensive information about the role of consultants in government. Committees in the last two Congresses have considered bills to reform the use of consultant services. From the executive suite, national magazines, and the TV news come countless tales of supermen and villains. The answers probably lie somewhere in between, but we will not try to settle those questions here.

As with other agency actions, much of the responsibility for the successful use of consultants rests with management itself. Is the problem or task clearly defined? Is the assignment well thought out? Does the work to be done really call for a consultant? Is the person chosen qualified for that task? Can it be performed by short-term or occasional services? Does management keep in touch with the work in progress and evaluate the results? Is the product useful?

Strengthening government accountability and efficiency are primary objectives of this Administration. Holding agency managers accountable for the proper use of consulting services is essential to making sure the American taxpayer gets the full benefit for every dollar spent. Agency managers will want to know they are getting the best return for their tight budget dollars. Estimates of total annual federal spending for consultants range from hundreds of millions of dollars to nearly 4 billion dollars, depending upon the definitions and types of consulting services counted. We want to provide a primer for agency managers on the proper employment of consultants and to shed light on the do's and

don't's surrounding their use. We will also explain how the Office of Personnel Management fits into the picture.

Federal agency managers have two ways of acquiring consulting services, either by employment or by contract with private firms or individuals. The general authority to hire consultants as Federal employees is section 3109 of title 5, United States Code. Contracting for services is under the procurement laws in title 41, and, for the Department of Defense, title 10.

The employment of outside consultants and experts for intermittent or temporary periods is a long-accepted practice in private business and government. When properly used, their employment offers a normal, rational, and legitimate way to improve government programs, operations, and services. By bringing their specialized knowledge, talents, and insights to bear on new or unusual problems, these individuals can help an organization function more economically and effectively. Because the service they provide is unique and because the length of their service is often short and uncertain, they usually are not subject to the same employment procedures as permanent personnel. In the federal civil service, Congress has authorized exceptions from normal employment requirements for consultants at least as far back as the 1880's.

The Office of Personnel Management's responsibility is limited only to employment of consultants. The Office of Management and Budget (OMB) is responsible for setting procurement policy, including policy on contracting for consulting services. OMB Circular A-120 on consulting services sets definitions, basic policy, internal guidelines, internal management controls, and data reporting requirements for agencies. The Circular requires agencies to justify each consultant service contract in writing, award contracts competitively to the maximum extent possible, warn contractors concerning conflict of interest, and monitor performance.

Most of the public attention concerning consultants falls on the procurement rather than the employ-

ment side. For more information about securing consultants through procurement contracts, agencies should review Circular A-120, the procurement laws, and the appropriate code of Federal regulations. Managers should contact their agency contracting officer.

What we are talking about here is the appointment of a consultant or an expert which creates an **employer-employee relationship** governed, except for certain exemptions, by the same personnel laws and regulations that apply to other Federal employees. For brevity, we generally will only refer to consultants but it should be understood we are referring to experts as well. There is one very important difference between an expert and a consultant—an expert is employed to do specialized operating work while a consultant serves as an adviser.

When authorized by an appropriation or other statute to use section 3109 of title 5, agencies may hire a consultant or expert for temporary (not to exceed 1 year) or intermittent services. Virtually all agencies have statutory authority to use section 3109. A few agencies have authorities similar to but independent of the section.

Section 3109 excepts appointments made under it from those civil service personnel laws that require competitive examinations, classification of positions, and General Schedule pay. This means candidates do not have to take OPM examinations or be reached at the top of a list of eligibles. Their assignments do not have to be classified against OPM position classification standards, and their salaries are not fixed by a particular General Schedule grade. These exceptions are permitted by law in order to give agencies, like their private counterparts, the freedom necessary to quickly place high caliber staff in special assignments for brief periods of need.

The section places a lid on pay that generally is the top daily rate for grade GS-15 or GS-18 depending on the job. According to recently adjusted pay scales, a consultant may not be paid more than \$221 for each day worked. Each agency de-

cides what it will pay, subject to the daily rate cap. OPM recommends that pay be commensurate with the work to be done, the consultant's skills, and the labor market. Only about 20 percent receive the top rate; prior to the recent pay adjustment, most earned \$140 a day or less.

Section 3109 states it may not be used as authority to fill Senior Executive Service positions. It is not appropriate to make consultant assignments to policy making or managerial positions.

Managers may hire consultants to get specialized opinions unavailable in the agency or in other agencies; outside points of view; advice on latest developments in industry, university, and foundation research; opinions of noted experts with national or international prestige for especially important projects; and specialized skills that are not needed continuously.

Consultants provide advice and assistance in a wide variety of program areas. At Health and Human Services, which uses the largest number of consultants, they serve as individuals or advisory committee members in the cancer, infectious disease, health care, food and drug, mental health, and drug abuse fields. At other agencies, they make contributions in environmental protection, air and space, defense, and education. Many consultants are medical doctors or professionals in the hard or life sciences. Others are specialists in management or administrative matters.

According to the latest monthly data provided by agencies, 5,336 served during September 1981. Nine out of 10 worked on an intermittent basis, that is, irregularly or occasionally. Of those serving intermittently, some work only 1 or 2 days in a month, and others may not work for several months at a time. A breakdown shows 895 were experts, 2,300 were consultants, and 1,892 were advisory committee members. Because of the nature of advisory committee work, most members also could be counted as consultants. While we have not collected data long enough to identify permanent shifts, the number gen-

erally has declined monthly since September 1979, when 7,431 were reported. The decline appears related to the overall decrease in consulting services resulting from budget cuts mandated by OMB and the Congress, and from hiring freezes.

The Office of Personnel Management has responsibilities for the administration and enforcement of the civil service merit system laws including competitive examinations, job classification, and pay. OPM has no role to play in deciding when an agency will choose to use a consultant or in placing consultants in agencies. Agency heads have the appointing power.

However, as part of its general responsibility for reviewing each agency's personnel management, OPM does monitor agency employment of individual consultants to assure that the appointment authority is not used to circumvent the merit system through improper exceptions.

The authority must not be misused through actions contrary to the terms and conditions of section 3109. For example, it is wrong to use the authority to fill continuing jobs that really belong in the career service and should be filled through the competitive examining system. It also is wrong to use the authority to bring persons on board solely in anticipation of giving them career or Schedule C appointments, to do works that can be done by regular employees, to avoid competitive examination requirements, and to get around General Schedule pay grades. Improper use of the authority with its exceptions is both illegal and wasteful.

Our evaluations at agencies show the majority of individual consultants hired are qualified, serve briefly, and otherwise represent proper use of the authority. While we found no recent evidence of widespread misuse, we did find individual instances of improper actions.

To assist agency managers, in January 1982 we updated our instructions in chapter 304 of the Federal Personnel Manual which describe the conditions and requirements affecting consultant employ-

ment. Managers should contact their personnel directors for advice and assistance on OPM and agency policies when they are considering hiring a consultant.

To help assure these appointments are made properly we have asked agencies to police their own activities through:

- certification at time of appointment by a high agency management official that the candidate, position, and other particulars are appropriate,
- periodic internal reviews to see that employment still is proper and that the 1 year or intermittent limits on service are observed, and
- annual communications in every agency from top management to lower echelons explaining the special purpose and limitations of the authority.

In short, it is all right to use experts and consultants just as long as the requirements are observed.

Revised FPM Instructions

To help agencies do a more effective job managing experts and consultants who serve as Federal employees, OPM updated Federal Personnel Manual chapter 304. In the revised chapter, published in January, we have:

- clarified distinctions between employment and contracting;
- added references to oversight activities such as OMB policies, GAO decisions, and Inspector General evaluations;
- included statutory restrictions on conflict of interest, reemployed annuitants, and use of the 5 U.S.C. 3109 appointing authority for SES jobs;
- pulled together instructions from other OPM issuances on pay, leave and benefits for agency convenience; and
- incorporated pertinent material from Personnel Management Series Pamphlet No. 3, Employment and Compensation of Experts and Consultants, which is no longer in print.

Thomas O'Connor is a senior personnel staffing specialist in the Office of Policy Analysis and Development, OPM.

Political Activities and the Federal Worker

By Lynn I. Alfalla

Federal employees' political activity guidelines can be found in the Hatch Act of 1939.¹ The Act is usually viewed as a protective device to shield employees against unsolicited political coercion from co-workers and management. In turn, federal employees may not use their official authority to influence or affect any elections nor take active part in partisan political management or political campaigns. It should also be noted that political activity prohibitions must be observed at all times, on and off duty, whether employees are on leave, a leave of absence, leave without pay or furlough.

The Hatch Act covers federal employees of the Executive Branch and the District of Columbia. Employees excepted from the rule against active partisan political participation include only the following: (1) those paid from the appropriation for the Of-

fice of the President; (2) heads and assistant heads of executive agencies or military departments; (3) a presidentially appointed employee, subject to Senate confirmation, "who determine(s) policies to be pursued by the United States in its relations with foreign powers or in the nationwide administration of Federal laws"; (4) the Mayor and the members of the Council of the District of Columbia or the Chairman of the Council of the District of Columbia self-government and Governmental Reorganization Act, its Commissioners or the Recorder of Deeds of the District of Columbia.

Certain municipalities where the majority of voters are federal employees or which are in the immediate vicinity of Washington, D.C. may receive partial exemption from the Act. Employees are limited, however, to participation in political management and campaigns for local

office elections. An employee may *only* run as an independent candidate or participate on behalf of (or in opposition to) an independent candidate. Furthermore, employees active in local politics should not neglect their official duties or create a conflict or apparent conflict of interest. Employees are also responsible for checking their agencies' personnel policies on political activism.

Many times the factor that determines whether a certain activity is permitted under the Act is whether or not there is partisan or non-partisan involvement. "Non-partisan elections" generally are those in which no candidate running is representing a political party that received votes in the last presidential election.

Besides the Hatch Act prohibitions, federal criminal statutes impose restrictions on contributions to elections for federal office. Federal

employees may not solicit political contributions from other federal employees or make political contributions to other federal employees. They may not solicit or receive political contributions in buildings where federal employees work.

If there are any uncertainties as to whether your activity is permissible or prohibited under the Hatch Act, you should direct your questions to—

The Office of the Special Counsel
Room 812
1120 Vermont Avenue,
S.W.
Washington, D.C. 20419.

The phone number is (202) 653-7143.

¹ 53 Stat. 1147, codified at 5 U.S.C. §7321-7327

The following checklist should keep you within the Hatch Act's prohibitions:

DO'S

- Free choice to register and vote
- Freedom to express opinions on candidates and issues without active participation in partisan political management and campaign
- Political buttons, stickers or posters can be displayed or worn, subject to work-related limitations
- Voluntary money contributions to political parties or organizations
- Political party or club membership and participation that doesn't include actual management of organization
- Attendance at political rallies, meetings, fund-raising functions, conventions and gatherings
- Participation in *non-partisan* campaigns—either as a candidate or in support of (or opposition to) a candi-

date. If elected, you may serve in the office as long as it doesn't interfere with your official federal position

- Signing nominating petitions as long as you don't initiate or canvas for signatures, if they are for candidates in partisan elections
- Hold public office as long as it doesn't conflict with your federal duties
- Hold non-partisan positions such as election clerk or judge and participate in non-partisan activities of a civic, community, social, labor, professional or similar organization
- Actively campaign for or against non-party affiliated issues such as referendums, constitutional amendments, municipal ordinances
- Petition your Congressman in writing to express your

views on certain issues and on how he votes

DONT'S

- Campaign for or against a political party or a candidate in a partisan election
- Make speeches for partisan political candidates or on partisan political questions
- Become a candidate in a partisan election or in an election for a national or state office
- Work at the polls for partisan candidates or political parties
- Distribute campaign material
- Hold office in a political club or party
- Sell tickets to political fundraisers, or promote these activities
- Solicit, receive, collect or distribute funds for political purposes

- Take an active part in managing the political campaign in a partisan election for public office or political party office
- Use your car to drive voters to polls on behalf of a political party or candidate in a partisan election
- Initiate or circulate partisan nominating petitions
- Endorse or oppose partisan candidates through advertising broadcasting or literature
- Serve as a delegate, alternate, or proxy to a political party convention
- Solicit votes in support of or in opposition to candidates in partisan elections, or candidates for political party office

Lynn I. Alfalla is a writer-editor in the Office of Public Affairs, OPM.

Manager's Reading Digest

Controlling Staff Work

Analysts, planners, advisors, and the myriad of other staff workers in U.S. industry who supply services in organizations have proliferated to a critical degree and their growth is considered by our foreign critics to be a "serious weakness and major cause of poor performance," according to Peter Drucker.

To help curb the growth of staff employment since the 1950's, Drucker offers some useful suggestions: 1) Limit staff to high-priority, long-term tasks rather than minor tasks which should be done by operations people (those in production, accounting, engineering, research, etc.). 2) Prune staff if their work requires more than three or four days work time per month of operating people. 3) Have staff give up an old task each time they want to start a new one. 4) Establish specific goals and objectives for effective staff work. 5) Don't place people in staff positions unless they have held a number of operating jobs—and proven themselves in those jobs. 6) Return people to operating jobs every five to seven years to avoid staff from becoming "behind-the-scene-wirepluggers." 7) Remember that the purpose of staff ultimately is to help improve the performance of operations people and the organization.

Drucker emphasizes that staff work only be a part of a person's career. He believes the arrogance of young people fresh out of school being placed into senior staff jobs "practically guarantees that they will be totally unproductive."

Drucker states that the end result of staff work

should be more effective, more productive operating people" and that staff is "support for operating people... not a substitute for them." (*The Wall Street Journal*, 4/28/82) AG

PACE Exam Abolished

The Professional and Administrative Career Exam (PACE) has been abolished. The written test was the government's chief device for hiring entry level, white-collar grades GS-5 and GS-7 in over a hundred categories.

The exam was considered by many organizations representing minorities to be discriminatory and culturally biased. Abolishing PACE complies with the terms of a consent decree entered by the U.S. District Court of the District of Columbia, requiring that the federal government ensure that the percentage of blacks and Hispanics hired for professional and administrative careers be proportional to the number seeking such positions.

The PACE register of over 35,000 people who have passed the exam will no longer be used to appoint individuals to positions. New professional and administrative vacancies will be filled through internal hiring, interagency transfers and placement of persons affected by reduction in force. This approach is expected to benefit minorities because they are represented in greater numbers in the federal work force than in the general population.

Such placement methods, however, cannot provide candidates for all positions. Therefore, OPM plans to create a new non-competitive, excepted service appointment authority under Schedule B

to fill GS-5 to 7 positions. Schedule B appointees could be eligible for appointment to the regular civil service at the end of a stipulated probation period. AG

Hayes and Abernathy Update"

Not too long ago, Professors Robert Hayes and William Abernathy of the Harvard Business School, flew in the face of conventional management wisdom with their views on the reasons for the decline in American industry (See *Management*, Winter 1981).

Long-accepted management theory taught that Japanese supremacy was rooted in lower labor costs, more automated and newer factories, strong government support and a homogeneous culture. Hayes and Abernathy disagree. They assert that the Japanese succeed because they stick to basics and do them well: they pay attention to a clean workplace, preventative maintenance for machinery, a desire to make their production process error-free and a commitment to quality at every stage in the production process.

American factories, in contrast, are sloppy, machines are overworked and abused, quality is viewed as a deterrent to lowered production costs, defects are ignored, and workers and management are adversaries.

American business leaders are taking the new gospel to heart. Abernathy's concept of the "productivity dilemma" has

Detroit taking notes in light of sagging sales and a changed market. He finds the "dilemma" rooted in enormous pressures for cost savings, which lead to more efficient manufacturing techniques and which ultimately lead to standardization. This standardization comes at the expense of innovation and technological competitiveness.

Time and again American business has been making poor long-run strategic decisions, especially with productivity and technology. According to the Harvard duo, this approach is symptomatic of the basic problem in American management: neglect of the factory floor and assembly line and excessive concern for short-run profits.

Even though their theories have gained a wide following, Abernathy and Hayes remain somewhat discouraged about their impact. They are distressed by the seeming lack of urgency to attack their problems shown by American companies. Says Hayes, "What I see is a lot of form—sending people to productivity centers and making statements in annual reports. I don't see what's happening on the plant floor."

As Abernathy sees it, the challenge is to "get to important firms and turn them around and use them as role models. We're talking about a changing attitude. The question is, how fast can you turn that around?" (*The New York Times* 5/30/82.) EAS

Benefits Expanded

A Conference Board survey of 1300 companies has found 45 percent offering major health coverage—up 13 percent since 1973. Costs have increased 94 percent in that time period and companies have expanded coverage to keep up with inflation and competition. However, to offset some of the cost, some companies are asking their employees to pay the first \$100 or 20 percent of the medical expenses.

Some examples of the expanded coverage: raising the medical limit to an average of \$250,000—; in 1973, only 10 percent even went as high as \$50,000—accepting unlimited surgical fees; adding mental-health and raising hospitalization coverage. (*The Wall Street Journal*, 2/23/82) LIA

The Menacing Workaholic

The "menace to society" is back in yet another identity—the workaholic boss. Management consultant Jack Falvey reports that putting a workaholic in a management position is divisive, both to the manager's staff and, ultimately, to the organization. All the

attributes that go toward forming an effective management style—setting priorities, patience with others in order to gain their commitment, negotiating objectives and time frames for projects—are set aside while the workaholic boss works endless hours doing everything himself to make up for the shortcomings he perceives in others.

Because he feels no one can do work as well as he can, he sends negative messages to staff that make his opinion a self-fulfilling prophecy: shoddy staff work is the result. Rather than multiplying his efforts through effective delegation, he inflicts counterproductive stress. Because he is continually sending out signals (such as working long hours, cutting off conversations, and lunching at his desk) that endorse his standard of behavior, he breeds resentment and kills creative contributions or commitments from employees.

Falvey emphasizes that this type of worker shouldn't be in a management position. Organizations should channel the workaholic's high energy level into staff projects where long hours and the need for detail are important—and where his contributions will be greater. The message for selecting officials is clear: "Don't confuse high energy levels with the brainpower necessary to produce results." (*The Wall Street Journal*, 5/10/82) LIA

Squeezed by Salary Compression

Salary compression, the narrowing of pay differentials between job levels, is not confined solely to the executive and mid levels of government. As in government, pay compression problems in private industry intensify with steady and mounting inflation and take a toll not only on the profits of the company but also on the morale of its employees.

Traditionally, when an employee quit, a company could recruit and hire a qualified replacement at a lower salary. Due to inflation, the Sun Belt boom and shortages of skilled manpower, that situation has changed. To attract, retain and motivate workers, companies are finding that they must pay higher and higher salaries. This in turn drives up the salaries of current employees so that their pay is comparable to that of the high-priced newcomers.

Part of the problem is inherent in outmoded employment practices, contends Paul Muller, director of compensation consulting services for a midwestern management firm. Companies often make generous compensation offers without considering the consequences to the whole organization. As a result of hiring expensive new help while also hiking up the salaries of current employees, pay roll costs are often pushed beyond established job-evaluation levels and some employees are paid more than they're worth.

It is clear that as the baby boom continues to move through the workforce, more layers of management will be created. And, as many companies are discovering, one real cause of salary com-

pression is that there are too many layers of management.

Pay compression problems are further exacerbated by cost-of-living adjustments (COLAs) mandated by union contracts. Granting across-the-board inflation-driven increases, asserts Philadelphia consultant Marsh Bates, sends employees "the wrong message" that average performance will be rewarded just as well as superior performance. COLAs also allow union production workers and skilled laborers who regularly put in overtime to make as much as or more than first and second-line supervisors.

To combat these compensation problems while providing some form of employee incentives, companies are considering "pay-for-performance" packages. Three major types of performance related programs are now being used or considered: quarterly or semiannual payments based on individual performance or productivity; group incentives based on meeting goals for a work group; and company-wide profit sharing plans.

A possible solution to the compression problem associated with recruiting is for management to continually review job descriptions and job evaluations in terms of a job's importance to the company. If assessments show that a particular job has become outdated or that an employee's skills have not kept up with advances in the field (e.g., an engineer or computer technician), management could offer the veteran employee sweeteners other than increased salary: favored parking spots, better long-term health care benefits and increased educational opportunities. Another solution is to include supervisors in bonus plans tied to productivity increases. (*Industry Week*, 2/22/82) EAS

Debugging the Myth of Theory Z

So, Japanese industrial superiority and economic success are the results of enlightened and humanistic management techniques. Not on your life, according to B. Bruce-Briggs. Warmed by trusting, intimate relationships within the corporation, happy workers perform optimally because they identify totally with the interests and goals of the firm—Theory Z in action, right? Wrong, again.

Bruce-Briggs asserts that the Japanese have accomplished wonders by adhering to the fundamentals of commerce—give the customer what he wants and control the costs. They do this better than anyone else and that is why they are at the top.

Forget America's excuse that Japan's success lies in low labor costs. The key is that Japan has *good* cheap labor. Labor, not the art of management, is the key to Japan's ascendancy. According to Bruce-Briggs, American labor is told what to do but does not do it reliably; that is the difference.

Why is the Japanese labor force so different? The way the Japanese are raised—their social pecking order. Everyone knows his place in the system—the old over the young, the husband over the wife, the sons over the daughters, the brothers over the sisters, the eldest son over the younger, the teacher over the student—and adheres to it.

Even their language has a grammar of hierarchy. The Japanese are only too aware that in everything you say

or that is said to you, you are put in your place.

The hierarchical order evidenced in all aspects of Japanese life seems downright anti-American, says Bruce-Briggs. There's no way to get an American labor force to think like the Japanese. Americans simply do not believe in social orders nor the strict values they impose. Besides, it appears that the Japanese themselves are beginning to get fed up with the "rah-rah" mentality, notes Bruce-Briggs.

Theory Z and other utopian management theories have no place in American companies. In fact, they may strip us of what little competitive advantage we now have.

Americans can learn from Japan's success, he counsels. Give the customer what he wants, control costs, show dedication and discipline, work hard and save your money. These qualities were once the hallmarks of American labor and industry. It's time to adopt them again. (*Fortune*, 5/17/82) EAS

Too Crowded at the Top

Managers and aspiring managers between the ages of 30 and 40 are becoming frustrated in their attempts to climb the corporate ladder. Their thwarted expectations are part of an ever increasing pressure situation brought on, in part, by the baby boom.

Now mature, bright and eager to make their mark, this group is finding out that the fast rise to the executive suite that was possible in the 1960's and '70's no longer exists. It is simply too crowded at the top.

Many companies sensitive to the problem and related stress, personal dissatisfaction and possible burn-out brought on by this condition, have turned to creative personnel management.

One company in Chicago encourages employees to move horizontally into different departments to gain new experiences and fresh perspectives when management promotions are not as frequent. Another corporation assigns stalemated employees to task forces or study teams. The change in pace recharges the employees and maintains their sense of self worth even though they aren't promoted. Sometimes a "technical ladder" is created to move specialists up into technical executive positions when management positions are not available.

Some optimists believe that fast-growing technical industries may create numerous management positions to offset any problems and that the competition resulting when more people compete for fewer jobs will improve the quality of middle management in the future. However, many see the need for companies to take effective action to deal with the "avalanche" of baby-boomers. As Douglas T. Hall, management professor at Boston University, puts it, "If the backbone of the organization—middle management—gets turned off, it doesn't bode well for the future." (*Wall Street Journal*, 10/22/81) SWL

Merit Pay Agreement

The Office of Personnel Management and the General Accounting Office have reached an agreement on the formula

for calculating merit pay for October. Last year, just before government-wide implementation of the pay-for-performance plan, a GAO ruling reduced the money available in the merit pay pool and forced use of a transitional plan: all merit pay employees received the General Schedule 4.8% comparability increase (rather than half the increase plus an amount based on performance, to come from agencies' merit pay pools). Those who received ratings at or above "fully satisfactory" or "fully successful" received additional pay based on performance, but because the money in the pool was reduced under the GAO ruling, the increases were smaller than would have been the case under the original merit pay formula.

Under the new OPM-GAO agreement, this year's merit pay increases will come from one half the General Schedule comparability adjustment and from a pool to be comprised of 1) the within-grade increases that would actually have been paid to merit pay employees during the year; 2) an amount to represent the money that would have been paid in quality step increases (0.1 percent of salary, with some approved exceptions); and 3) a small correction factor to compensate for the reduced salary rate resulting from last year's GAO decision.

While the General Schedule pay increase that may be given this fall is a matter of conjecture, the amount going into the merit pay pool from within-grade increases is expected, under the new agreement, to be about 1.6% of pay—or about double last year's amount. LGT

Supreme Court Defines Immunities of Federal Officials

By Joseph A. Morris

Barely two weeks after the tenth anniversary of the history-making trespass at the Watergate, the Supreme Court—deciding a case in which Richard M. Nixon was the petitioner—held that, “In view of the special nature of the President’s constitutional office and functions, we think it appropriate to recognize absolute Presidential immunity from damages liability for acts within the ‘outer perimeter’ of his official responsibility.” *Nixon v. Fitzgerald*, (Sup. Ct. June 24, 1982).

The holding in *Nixon v. Fitzgerald* is quite narrow, confined to the unique office of the Presidency. But in a companion case, arising from the same events and decided on the same day, the Supreme Court clarified the ground rules upon which all government officials may be called to account in civil damages suits for their official actions. *Harlow v. Fitzgerald*, No. 80-945, (Sup. Ct. June 24, 1982).

This decision promises to be of landmark proportions.

Writing for the majority¹ in *Harlow*, Justice Powell announced the Court’s new rule: “. . . bare allegations of malice should not suffice to subject government officials either to the costs of trial or to the burdens of broad-reaching discovery. We therefore hold that government officials performing discretionary functions generally are shielded from liability for civil damages insofar as their conduct does not violate clearly established statutory or constitutional rights of which a reasonable person would have known.”

In adopting the “reasonable person” standard for determining whether or not

a right is “clearly established,” the Court imposes an objective test upon official conduct that does not permit courts to probe the mental states or decision making processes of officials alleged to have violated someone’s rights.

Justice Powell explained the test and its purposes: “Reliance on the objective reasonableness of an official’s conduct, as measured by reference to clearly established law, should avoid excessive disruption of government and permit the resolution of many substantial claims on summary judgment. On summary judgment, the judge appropriately may determine, not only the currently applicable law, but whether that law was clearly established at the time an action occurred. If the law at that time was not clearly established, an official could not reasonably be expected to anticipate subsequent legal developments, nor could he fairly be said to ‘know’ that the law forbade conduct not previously identified as unlawful.

“Until this threshold immunity question is resolved, discovery should not be allowed. If the law was clearly established, the immunity defense ordinarily should fail, since a reasonably competent public official should know the law governing his conduct. Nevertheless, if the official pleading the defense claims extraordinary circumstances and can prove that he neither knew nor should have known of the relevant legal standard, the defense should be sustained.”

These cases had their origins in 1968, when Lyndon B. Johnson was President. A. Ernest Fitzgerald, an analyst in the Department of the Air Force, testi-

fying before a congressional subcommittee, was highly critical of cost-overruns and other problems experienced in development and production of the C-5A Galaxy transport plane. His testimony evidently embarrassed his superiors.

In January, 1970, the Air Force implemented a reorganization and reduction-in-force; as a result, Fitzgerald was dismissed. Fitzgerald’s testimony had brought him to prominence, and public concern was voiced that his removal may have been retaliatory. When asked about the matter at a news conference, the new President, Richard Nixon, promised to look into it. The President later directed an assistant, H. R. Haldeman, to arrange for Fitzgerald’s retention in the government.

Another Presidential assistant, Alexander Butterfield, however, wrote a memorandum to Haldeman in which he questioned Fitzgerald’s loyalty to the Administration, suggesting, instead, that “We should let him bleed, for a while, at least.”

Time passed and no reassignment came. Fitzgerald appealed his dismissal to the Civil Service Commission. Congressional and media interest in the case increased and, once again, President Nixon was asked about it at a news conference. To the surprise of many, the President assumed personal responsibility for the removal, saying that the decision had been his. The next day, the White House press office issued a retraction, explaining that the President had confused Fitzgerald’s case with that of another Federal executive.

The Commission, while refraining from finding Fitzgerald’s separation

retaliatory, held that the reorganization had been devised for reasons purely personal to Fitzgerald. Such reorganizations are not the stuff of which reductions-in-force are properly made; the Commission ordered Fitzgerald’s restoration, with back pay, to his former position or to one substantially like it.²

Fitzgerald then brought civil suit in a Federal district court, claiming that the personnel actions had violated protected rights, and seeking damages from the officials alleged to be responsible. The defendants, after years of pretrial proceedings, included Richard Nixon and two of his aides, Butterfield and Bryce Harlow. The case came to the Supreme Court on separate interlocutory appeals by former President Nixon, on the one hand, and Harlow and Butterfield, on the other, raising immunity defenses.

The Court had previously held that certain government officials, whose special functions or constitutional status require complete protection from suits for damages, were entitled to the defense of absolute immunity. Such officials have included judges for their judicial acts (*Stump v. Sparkman*, 435 U.S. 349 (1978)), legislators for their legislative acts (*Eastland v. United States Servicemen’s Fund*, 421 U.S. 491 (1975)), and legislative assistants performing “legislative acts” that would be privileged if performed by the legislator himself (*Gravel v. United States*, 408 U.S. 606 (1972)). The only executive officials hitherto cloaked with absolute immunity³ for official acts have been prosecutors, at least with respect to their initiation

Continued on page 32

Pension "Crisis"

In his article, "The Quiet Pension Crisis," (Winter 1982, p. 20), my former colleague, the Honorable John W. Macy, Jr., characterized the Federal Civil Service Retirement System as inequitable, irrational, and costly—one which cannot be defended.

I disagree with his basic premise and with the logic he used to reach his conclusions.

First, Mr. Macy took the blame for his role as the Administration's chief advocate in the enactment of pay comparability and a non-political method of adjusting annuities to the cost of living. He now feels that both laws have resulted in failure, and in fact are in conflict with each other.

Both laws were and are good laws.

Pay comparability has been subverted by the imposition of "caps" by successive Presidents, but the principle is sound. There is no valid substitute for the principle of equal pay for equal responsibility.

Annuity adjustments pegged to the CPI have proved expensive, because they have been driven by an unprecedented and sustained rate of high inflation. But they have served their intended purpose, which is to protect the buying power of the original annuity.

We share Mr. Macy's view that a measurement device which would truly measure living costs for the elderly is desirable, and my Association has testified repeatedly in support of such a measure, which would be called the CPI-E (for Elderly). But

we have also cautioned repeatedly that the adoption of a new measuring device would not necessarily result in budgetary savings, for several of the elements that consume a great deal of the retiree's income—such as food, fuel and medical care—have often risen at a faster rate than the CPI itself.

Second, I find it incredible that the former director of personnel management for the Executive branch would imply that indexation is the primary reason why government contributions to Federal retirement are now much greater than employee contributions. He, of all people, should recognize that indexation, a blood brother of inflation, is only the visible part of the iceberg. The culprit of equal or perhaps larger stature is a combination of (a) the government's failure to meet its obligations as they incurred in the years from 1920 to 1969, and (b) the fact that the remedies enacted in 1969 have come to full maturity in a period of sustained high inflation.

• By failing to meet its lawful obligations as they were incurred, the government in fact allowed a sizeable unfounded liability to be incurred. The Congress failed to appropriate the necessary start-up funds in 1920, it failed to require the government to match employee contributions from 1920 to 1958, and it enacted pay raises and benefit increases from 1920 to 1969 without funding their retirement costs.

• The remedies adopted in the 1969 amendments, which Mr. Macy championed during the Johnson administration, have

come to full maturity in a period of sustained high inflation. Those amendments required the government to become responsible for (a) amortizing in 30 equal annual payments the retirement costs of all pay raises and benefit increases enacted on or after October 20, 1969, (b) payment of interest on the unfunded liability, beginning at 10 percent in 1971 and increasing to 100 percent in 1980, and (c) paying the cost of crediting military service toward civil service retirement, on the same phase-in basis.

Analysis of receipts and disbursements for fiscal year 1980 reveals that these two factors (inflation and recompense for prior neglect) accounted for more than 72 percent of the government's total contribution in 1980.

It is, therefore, specious to blame indexing alone, when prior neglect and inflation during the remedial period are at least equally responsible.

Third, Mr. Macy stated as fact that the unfunded liability was \$403 billion as of September 1979. This figure is in sharp contrast with the Board of Actuaries' estimate that the liability was \$136.2 billion at that time. Mr. Macy's figure is based on "dynamic" assumptions (i.e., there will always be inflation, salaries will always be going up, inflation will continue to drive COLA's, etc.) whereas the Board's estimate was based on "static" assumptions as required by law (i.e., look at last year's actual experience and use that experience as a basis for projecting future costs).

• The merits of "dynamic" versus "static" assump-

tions are open to debate. But so long as the law requires static assumptions, they should be followed.

• The government's payment of interest on the unfunded liability is pegged to the figure derived from static assumptions. If it were pegged to "dynamic" assumptions, the government's annual payment would be more than twice as large.

• Mr. Macy concluded that "For every participant, active and retired, there are unfunded liabilities of \$89,000". That figure, arrived at by the use of "dynamic" assumptions, should also be examined in perspective. He is not talking about \$89,000 in 1982 dollars, but in future dollars which have been devalued by inflation. Worse still, the figure assumes pay raises and COLAs which may never come to pass, and if used as a basis for determining government payments, it could result in pre-funding the cost of benefits that will never be paid.

Fourth, Mr. Macy stated that during his service at the Commission he advocated again and again the integration of civil service retirement with Social Security. I cannot recall a single instance during the six years we served together in which he expressed such a view, but perhaps his memory is better than mine. I do recall that a Cabinet Committee on Federal Staff Retirement Systems completed a study which was transmitted to the President over Mr. Macy's signature on February 16, 1966; the study recommended certain transfers of credits between Civil Service Retirement and Social

Security, but it did not recommend that Social Security coverage be extended to Federal civilian employees. I have every reason to believe that Mr. Macy's current view is based more upon philosophical preference and early-career association than upon logic and costs.

- Integration of the two systems would cost more, not less, and it would not solve the financial problems of Social Security.

- The government would have to pay most if not all of the cost of a company-type pension plan to supplement Social Security benefits for its workers, in addition to the employer's share of the FICA tax. A plan costing even 4 percent of payroll would come to \$2.4 billion per year.

- Tax revenues would be reduced because civil service annuities are taxable while Social Security benefits are tax-free.

Estimates vary from 10 percent (Friend and Company, actuaries) to 17 percent (Joint Congressional Committee on Taxation) as to the amount the average Federal civil service annuitant returns in Federal income taxes. Under the low estimate, the 1980 aggregate amount would have been \$1.5 billion; under the high estimate, \$2.55 billion.

- Integration of the two systems would be tantamount to "calling the note" on the unfunded liability, whether one uses the "dynamic" assumptions that Mr. Macy used or the "static" assumptions of the Board of Actuaries.

- Mr. Macy identified the complexities of design, complications in implementation, and concern for those affected (as problems to be overcome). He failed to pose, or to answer several additional questions.

- If Social Security was intended to be universal, why were Federal employees exempted in the first place? It is our view that Congress recognizes the fundamental differences between a retirement plan and a social insurance program.

- If Federal workers were forcibly placed under Social Security, would they be assured that the much larger retirement contributions they have made over the years will produce a standard of living in retirement that their present plan provides?

- Would coverage of Federal workers under Social Security enhance or detract from the Quest for Quality in Federal employment that Mr. Macy has championed for a generation? Few would deny that Mr. Macy's quest brought many talented people into government. My contention is that once they became vested, a good retirement plan helped the government keep them in government.

- Would another 2.8 million workers alleviate or exacerbate the financial problems of Social Security when today's new contributor becomes tomorrow's liability to Social Security?

L. J. Andolsek
President
Association of Retired
Federal Employees

The "Japanese" Management Cover

I was impressed with your article on Japanese management. Except for your expecting a Japanese to be aware of "discrimination" (race, sex) in his own country, your questions were well put and Mr. Arai's answers were informative. Japanese as a rule are not conscious of the forms their society practices in discriminating much as the Americans weren't 20 years ago.

My surprise at the quality of your article stems from seeing the Chinese man on your cover in a traditional Chinese robe when you were talking about Japanese. I suggest you have whoever designed it do a little

research on the varieties of Oriental cultures. Contrary to common opinion, they don't "all look alike"! I worked as an EEO officer in Japan for seven years and can assure you that discrimination takes the same forms in Japan as it does here. And that each country of the Orient has distinctive cultural dress and personality.

Bruce Maxwell
Savannah, GA

The figure on the cover is dressed, in part, in what appears to be a Chinese or Korean costume. It is emphatically not Japanese later than the eighth century.

Bill Armstrong
Washington, DC

Whose Fault Low Productivity?

I read with great interest and enthusiasm your Winter 1982 Management magazine. The articles were most thought provoking, particularly the lead article on "Japanese Management and White Collar Government." Additionally, I particularly enjoyed the section,

"Manager's Reading Digest." However, the article in that section quoting Dr. Herzberg, (Blaming Management) could lead one to believe that the "influx of Blacks, Hispanics, Indians off the reservations, and Women out of the kitchen," may have contributed to the decline in productivity in the United States.

Since no parameters were extended or defined for this phase of tracing the work pattern in the United States, I really cannot determine who is to blame for this decline, the MBA's or the so-called "third phase" or both. Will the real slacker of productivity decline in the U.S. please stand up?

Edgar A. Cox
Stone Mountain, GA

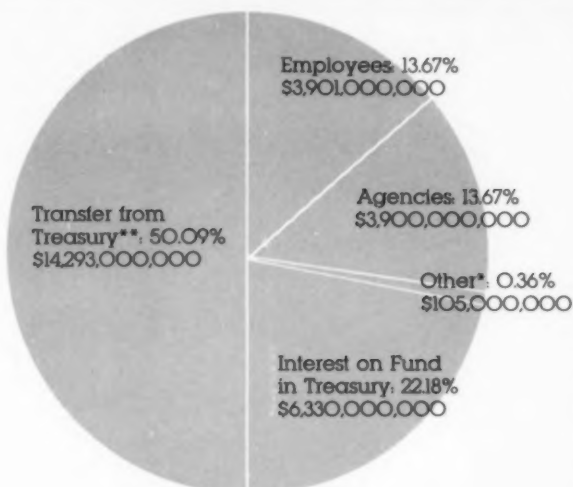
In Brief

Continued from page 30

and pursuit of prosecutions (*Imbler v. Pachtman*, 424 U.S. 409 (1976)); and those performing administrative functions closely akin to the judicial or prosecutorial (*Butz v. Economou*, 438 U.S. 478 (1978)).

For the most part, executive officials—including State governors and Federal cabinet members—have been cloaked in a qualified immunity whose scope has varied in proportion to the nature of their official func-

Sources of the Civil Service Retirement Fund in 1981



Total: \$28,529,000,000

(Figures are rounded to the nearest million)

*Other: Service credit deposits and redeposits, voluntary contributions, collection from reemployed annuitants

**Transfer from Treasury for:

- Cost of crediting military service toward retirement: \$1,336,000,000
- Interest on unfunded liability (Liability caused by salary and benefit improvements before 1969, and from cost of living increases): \$8,920,000,000
- Cost of new and increased annuities: \$4,036,687,000 (Includes \$722 million from the Postal Service)

Note. The standard way of attaching a cost to a retirement plan is to ask: What percent of an employee's salary has to be put aside regularly in an interest-bearing account in order that all benefits that were promised can be paid for? For the civil service retirement system, the amount, according to the most recent valuation of the Board of Actuaries of the CSR system, is about 36% of salary. Currently, employees contribute 7% of salary through payroll deduction, and their employing agencies contribute 7%. That leaves 22% unaccounted for. As a practical matter, it is the taxpayers who contribute the other 22%.

tions and the range of decisions that they might have taken in "good faith." Leading cases include *Scheuer v. Rhodes*, 416 U.S. 232 (1974) (State executives); *Butz v. Economou*, *supra* (Federal officials generally); and *Pierson v. Ray*, 386 U.S. 547 (1967) (police officers).

Officials asserting "qualified immunity" were, before *Harlow*, required to meet both objective and subjective tests. Objectively, the official had to demonstrate that he neither knew nor reasonably could have known that he was violating an individual's rights. Subjectively, he was also required to prove that he was not acting with "malicious intent" to deprive an individual of his rights.

The objective test could often be met simply by demonstrating that the law was unclear or the right undefined. The subjective element, though, required evaluation of the official's state of mind, his subjective motivation at the time the acts complained of occurred.

Many courts considered the official's state of mind to be a question of fact inherently requiring resolution by a jury. Such inquiry into motivation often necessitated lengthy and broad-ranging pre-trial discovery, numerous depositions, and lengthy jury trials.

In *Harlow*, the Supreme Court has abolished the subjective element of qualified immunity. Henceforth, officials asserting qualified immunity need only meet the objective test—the reasonableness standard as to knowledge that a constitutional right was involved.

The Court recognized that the subjection of officials to the risks of trial and lengthy pre-trial discovery has distracted them from their Government duties, inhibited the exercise of discretion, and repelled able people from public service. The public interest in deterrence of unlawful conduct and in compensation of victims remains protected by other remedies, among them impeachment, prosecution, ad-

ministrative actions, equitable relief, and civil damages under the new objective test.

Harlow is important to Federal managers in light of increased numbers of personal damages actions brought against supervisors for personnel decisions. This decision means that, although officials will still be subject to the possibility of personal liability, they will be much more likely to prevail on summary judgment motions before trial, relieving them of the disruption and anxiety associated with extensive pre-trial discovery and lengthy trials.

¹The Court was nearly unanimous in *Harlow*, with only Chief Justice Burger dissenting. The Chief Justice would have extended to top Presidential aides the same absolute immunity that was found to cloak the President in *Nixon*. The Court in *Nixon* divided sharply, with Justice Powell delivering the opinion of the Court, joined by the Chief Justice and Justices Rehnquist, Stevens, and O'Connor. Justices Brennan, White, Marshall, and Blackmun dissented.

²Fitzgerald was dissatisfied with the position subsequently offered to him at the Department of Defense, and

thereupon brought a separate suit in district court to enforce the Civil Service Commission's order. That case, *Fitzgerald v. Hampton*, Civ. No. 76-1486, (D.D.C. June 15, 1982), was recently settled. As part of the settlement, Fitzgerald was to regain his former position as Management Systems Deputy to the Assistant Secretary of the Air Force, effective June 21, 1982. Parts of Fitzgerald's lawsuit against former President Nixon and others were also settled on interesting terms, as reported by the Court. The Court held, however, that the partial settlement did not moot the interlocutory appeals discussed here.

³The immunities discussed here are as against civil damage claims for violations of rights guaranteed by the United States Constitution or by Federal statutes which are alleged to be committed by government officials acting in the course of their duties. The Supreme Court recognized a private right of action for damages on constitutional tort claims against government officials in *Bivens v. Six Unknown Federal Narcotics Agents*, 403 U.S. 388 (1971). Federal officials have long been held absolutely immune from civil actions brought against them on common law grounds. See *Spalding v. Vilas*, 161 U.S. 483 (1896) (Postmaster General held absolutely immune from suits at common law arising from his official acts).

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